Handy & Harman Annual Report 1980

Serving a diversity of markets:

energy
transportation
electrical/electronic
metal products
leisure products
jewelry/silverware
consumer durables
office equipment
instrumentation
communications
medical/dental

Financial Highlights

	1980	1979
Net sales	**$760,957,000**	$630,924,000
Income before income taxes	**54,910,000**	22,506,000
Net income	**27,748,000**	13,781,000
Net income per share	**$2.04**	$1.02
Average number of shares outstanding	**13,624,000**	13,574,000

Contents

To our shareholders:

M. W. Townsend (left) and R. N. Daniel

The year 1980 proved to be by far the most profitable in the long history of Handy & Harman. It was especially marked by the achievement of a new level of earnings for the precious metals segment of our business brought about primarily by the sharp increases in the prices of both silver and gold. The peak prices occurred in the first quarter of 1980, and although relatively sharp declines have taken place since, our business remained strong throughout the year.

Net income for the year, at $27,748,000, or $2.04 per share, reflected an increase of 101% over the 1979 results of $13,781,000, or $1.02 per share. Sales and service revenues for 1980 were $760,957,000, up 21% from the $630,924,000 for 1979. These results made 1980 another record year for both sales and earnings.

It is important to note, when comparing 1980 with the prior year, that in 1979 the Company endured a strike of over five months' duration in its precious metals plants in Fairfield, Connecticut, and Attleboro, Massachusetts. That strike, which ended December 5, 1979, severely impacted business during the second half of 1979. Also, in 1979, the liquidation of the gold and silver inventories of our Canadian subsidiary resulted in an increase in net income of $6,427,000, or $.47 per share. No such disposition of LIFO basis inventory occurred in 1980.

The year 1980 was dominated by the activity of the refining end of our precious metals business, which was extraordinary, particularly during the first half of the year. The primary reason was the sharply higher prices for silver and gold. Our refining facilities, at four separate geographic locations, were filled beyond capacity, as indeed were those of every precious metal refinery in the world. Our plants worked around the clock, seven days a week, and even then we could not meet all the demands that were placed upon us. This situation eased to some extent during the second half of 1980, largely as the result of declining prices for the two precious metals.

The remainder of our businesses, being very diverse in nature, have been a reflection of the U.S. economy in general. Thus, the O.E.M. automotive business was depressed all year, while activity in our other sectors was generally good in the first six months, but tended to weaken somewhat in the latter part of the year.

Stock split and dividend increase

On October 30, 1980, the Directors of Handy & Harman voted a two-for-one stock split and an increase in the quarterly cash dividend to 12½¢ per share on the new split basis, a gain of 43% over that previously paid. Both the additional shares and the increased dividend were distributed on December 1, 1980, to shareholders of record November 14, 1980. This action by the Company reflects its basic

financial strength as well as confidence in its prospects for continuing growth. Over the past fourteen years Handy & Harman has increased the dividend rate on nine occasions. In addition, during the same period there have been three stock splits, and three special cash dividends have been paid.

More acquisitions made

During 1980 we announced the completion of two acquisitions. The first, in February, was Advanced Materials Systems, Inc. of North Attleboro, Massachusetts. AMS is a plating house with the technical expertise to plate, in selective or total coverage forms, most semiconductor or connector parts—predominantly with precious metals. AMS primarily services the electronics industry. Late in May we announced the acquisition of Brunner Engineering & Mfg., Inc. of Bedford, Indiana. This company manufactures medium-size pressure vessels used for the carriage of Liquid Propane (LP) gas as motor fuel in recreational vehicles and light-duty trucks, and for general industrial purposes.

Just recently, in mid-February, 1981, we completed the acquisition of Form Tool & Mfg. Co. of Archbold, Ohio. Form Tool is a custom manufacturer of fabricated tubing for the O.E.M. auto industry. But, more importantly, it is a builder of automated tube bending equipment, both for sale to other fabricators as well as for its own manufacturing requirements.

These acquisitions are indicative of our continuing interest in adding high quality, complementary businesses which will broaden our earnings base and contribute to our continuing growth.

Many markets served

The acquisition program commenced in the mid-60's has resulted in Handy & Harman serving many diversified markets. This has reduced our vulnerability to any one market and to cyclical swings. The following sections of this report portray the extent of the many markets presently served.

The outlook for 1981

The present year, 1981, has started on an optimistic note, but at the same time there is concern for the general health of the economy. Inflation, high interest rates and the lagging fortunes of the domestic automobile industry continue to plague the economy. However, we feel that Handy & Harman has never been stronger in people-talent, in facilities and financially, and thus is well poised to take advantage of whatever opportunities there are. 1981 should be another fine year for our Company.

M. W. Townsend
Chairman of the Board

R. N. Daniel
President

March 30, 1981

Serving a diversity of markets...

We undertake an ambitious task in this year's Annual Report. That task is to show the special ways in which we serve diverse sectors of our nation's economy.

It's an ambitious task because we create so many different kinds of products and services for so many different markets.

A good starting point is to define the two segments into which our product lines fall...

1. Precious metal products. We are a leader in the fabrication of silver and gold in fine and alloyed mill forms, and we're a major refiner of precious metal bearing scrap.

2. Non-precious metal products. Through our subsidiaries and divisions, we make a broad range of specialty non-precious metal (and plastic) products.

The products in both segments require, in the main, considerable skill to fabricate. Their value-added factor is a high one. And production tends to be measured not in tons, but rather in pounds—and even ounces.

It would be impossible to describe, in a single annual report, all the applications for these two segments of products in all the markets they serve. On the following pages, however, we'll indicate the diversity of those markets...and the special ways in which we meet their special needs.

Energy

We serve all major sectors of the energy market...oil, coal, and gas... nuclear, geothermal and solar energy...

Some of the precious metal products we make for this market are precisely-notched silver strips that become fuse links for high voltage electrical transformers...silver-cadmium-indium control rods that govern the rate of chain reactions in nuclear power plants...gold plating processes for solar collectors, and silver brazing alloys for bonding the plates of solar heating systems...

Our non-precious metal energy products include small-diameter, high precision tubing for oil and gas well instrumentation...stainless steel belts for cooling hot slurries in the new synfuel process of coal liquefaction... corrosion-resistant wire stranded into cable for geothermal applications... and rugged steel cables used to retrieve core samples in oil and gas drilling operations.

Other non-precious metal energy products include polyethylene piping systems for the natural gas industry, and steel and plastic fittings to connect main gas lines to meter sets. And for electric utilities we make thermite welding molds and powder. These portable units are ideal for field use—they join electric cables in seconds, with no need for an outside power source.

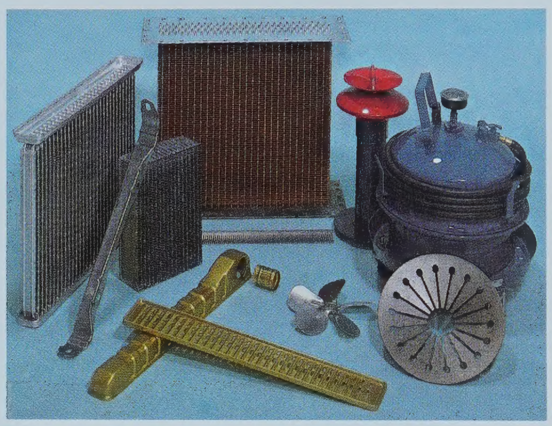
Plastic pipe, and steel and plastic fittings, used to connect main gas lines to meter sets.

Transportation

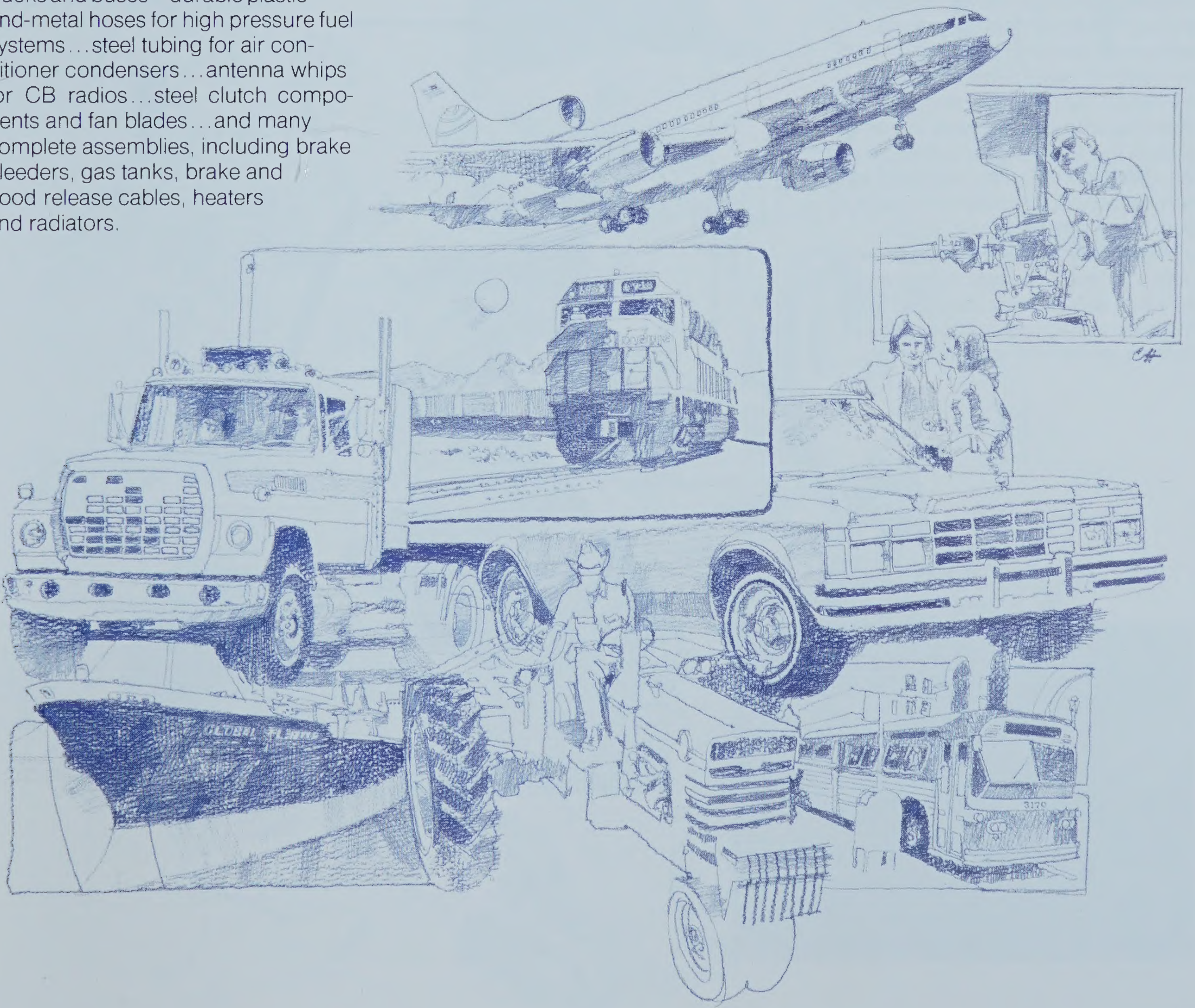
Our products find applications in virtually every type of transportation equipment...automobiles, buses, trucks, trains, ships, aircraft...

Among our precious metal products for this market are high-purity silver anodes used to plate the bearings of aircraft and ship engines...contact silvers for the starting switches and relays of locomotive engines...silver brazing alloys that join metals in airplane hydraulic systems, ships' pipelines and auto fuel injector systems.

Transportation applications for our non-precious metal products range from cold-drawn counterweights in helicopter rotor blades to steel alloy cable used to operate railroad signal switches. In addition, there are the products we make for automobiles, trucks and buses—durable plastic-and-metal hoses for high pressure fuel systems...steel tubing for air conditioner condensers...antenna whips for CB radios...steel clutch components and fan blades...and many complete assemblies, including brake bleeders, gas tanks, brake and hood release cables, heaters and radiators.



Radiators, heaters, tanks and miscellaneous components for autos, trucks and buses



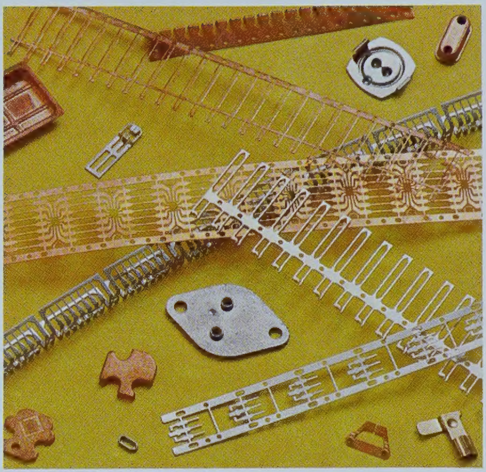
Electrical/Electronic

We provide many specialized materials, components and services for the electrical-electronics market...

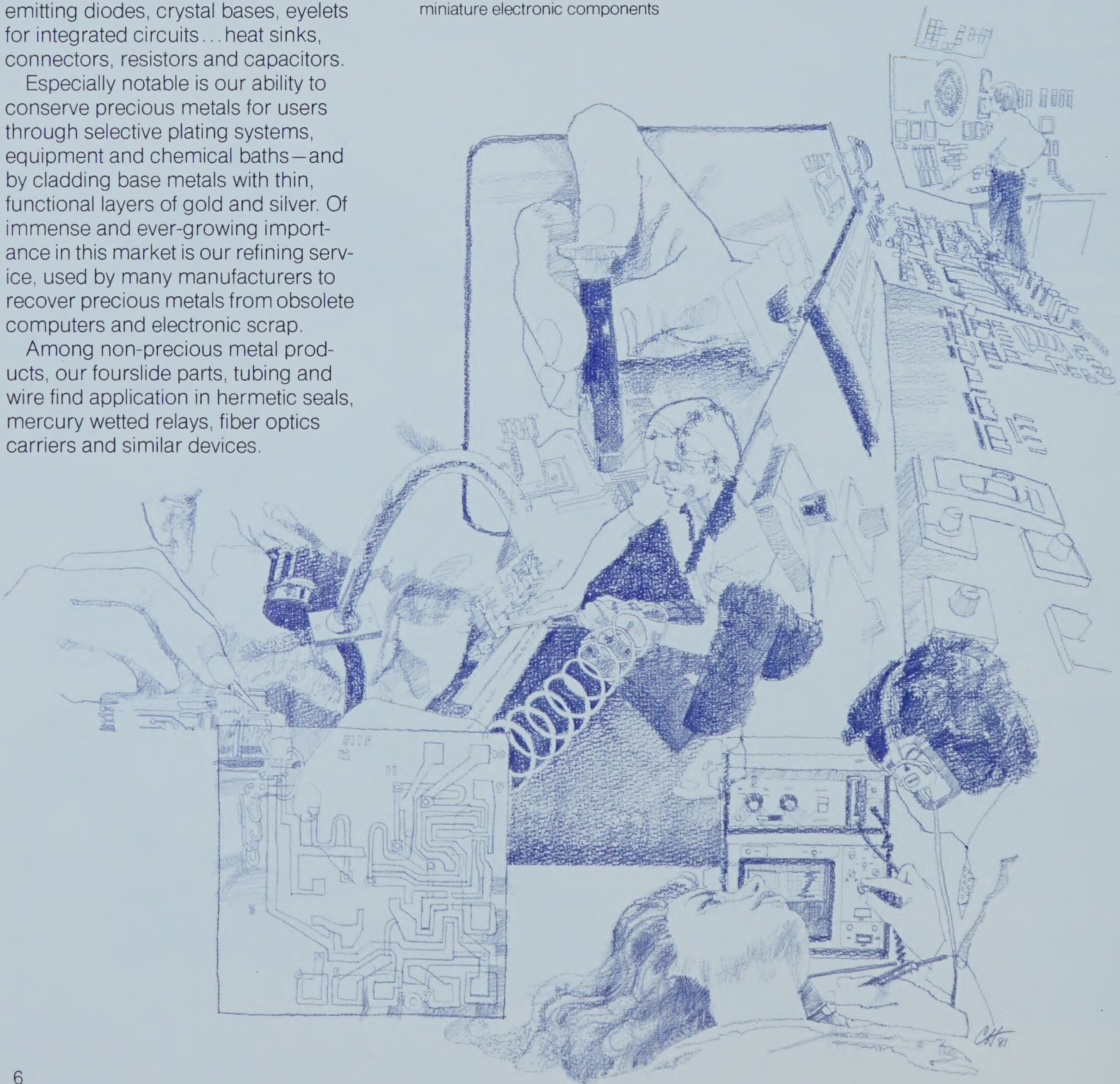
Our precious metal products, in particular, play a significant role. Gold and silver have excellent electrical properties, and our precious metal alloys in wire and strip form are extensively used for electrical contacts, fuse links, switches and relays. Our silver powder and flake are incorporated into conductive adhesives, inks and pastes for many electronic devices. And we utilize precious metals in making such electronic components as semiconductor lead frames, light-emitting diodes, crystal bases, eyelets for integrated circuits... heat sinks, connectors, resistors and capacitors.

Especially notable is our ability to conserve precious metals for users through selective plating systems, equipment and chemical baths—and by cladding base metals with thin, functional layers of gold and silver. Of immense and ever-growing importance in this market is our refining service, used by many manufacturers to recover precious metals from obsolete computers and electronic scrap.

Among non-precious metal products, our fourslide parts, tubing and wire find application in hermetic seals, mercury wetted relays, fiber optics carriers and similar devices.



Lead frames, crystal bases, TO-5 eyelets and other miniature electronic components

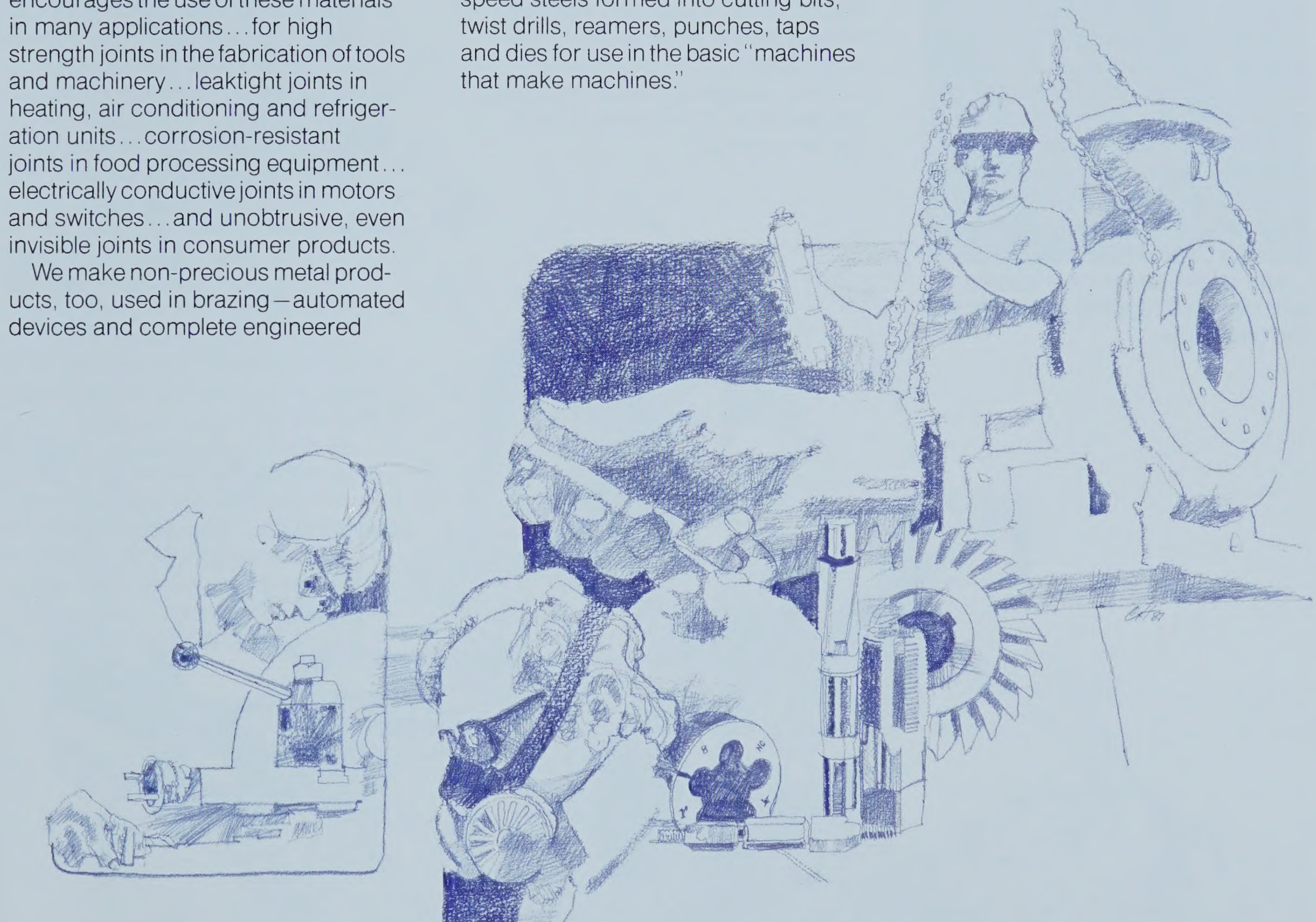


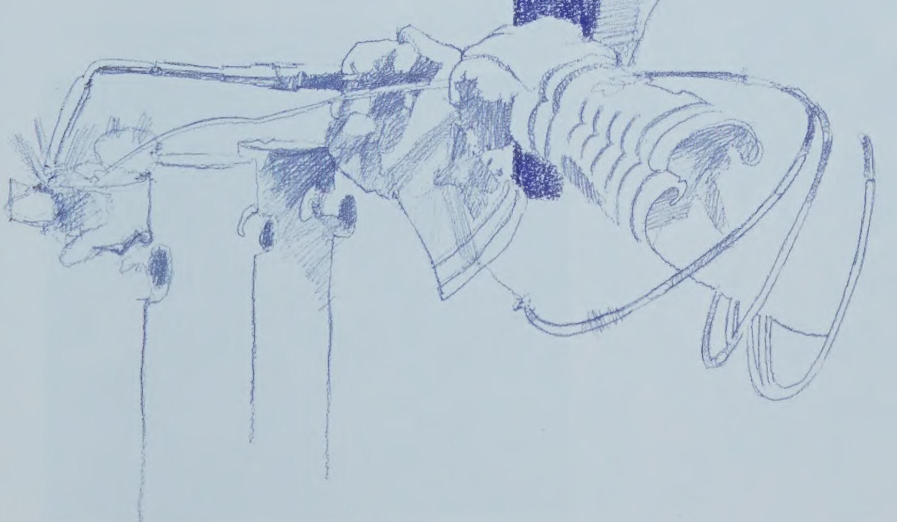
Metal Products

Since metals are our primary materials, the metalworking market—machinery, components and fabricated metal products—is a natural one for us...

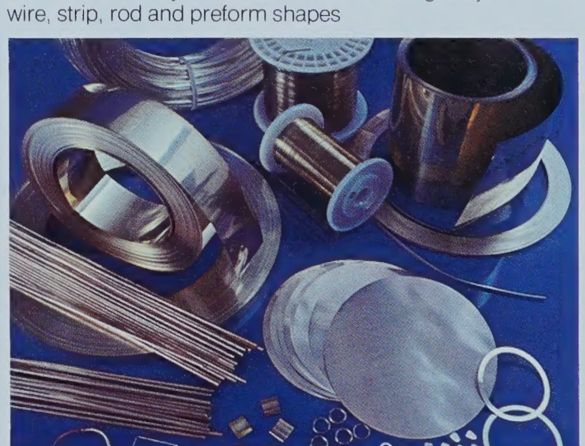
An important precious metals product line for this market consists of our silver brazing alloys. The exceptional versatility of the brazing process encourages the use of these materials in many applications...for high strength joints in the fabrication of tools and machinery...leaktight joints in heating, air conditioning and refrigeration units...corrosion-resistant joints in food processing equipment...electrically conductive joints in motors and switches...and unobtrusive, even invisible joints in consumer products.

We make non-precious metal products, too, used in brazing—automated devices and complete engineered systems for mass production brazing. Other non-precious metal products in this market include our small precision cold-headed rivets, studs, screw blanks and pins...our stainless steel wire for springs, washers, ball bearings, chain, cable and flexible shafts...and the tool steels and high-speed steels formed into cutting bits, twist drills, reamers, punches, taps and dies for use in the basic "machines that make machines."





Some of the many forms of our silver brazing alloys—wire, strip, rod and preform shapes



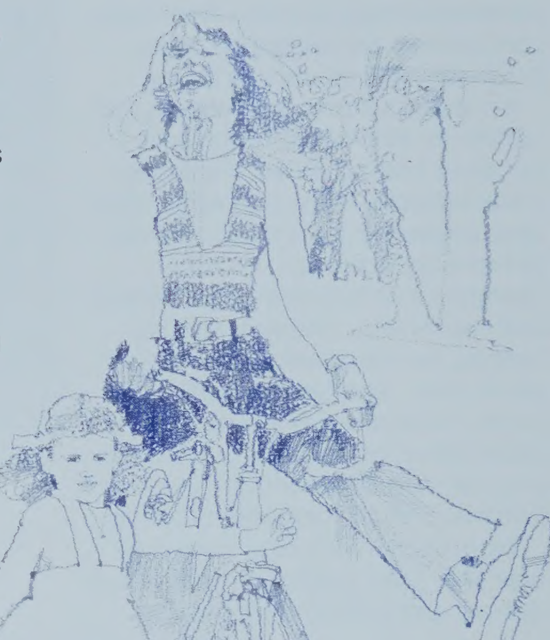
Leisure Products

Growing emphasis on leisure activities promises continued growth for the leisure products market . . . and corresponding growth in applications for our products . . .

Among our precious metal products that now find their way into this market are our clad and plated precious metals, used as circuitry materials in radios, TV sets, tape decks, home computers and electronic games . . . and our silver brazing alloys, used to join metals in items as varied as ice skates, trumpets and bicycle frames . . .

Our non-precious metal products find many leisure use applications . . . LP gas pressure vessels for recreational vehicles . . . stainless lashing wire for cable TV and fishing line leaders . . . and steel cable for boat trailer winches, yacht rigging, bicycle brakes and gear shifts . . .

Particularly numerous are applications for another of our non-precious metal products — metal profile shapes, cold-drawn in long bars and subsequently sliced by users into individual precision parts. The parts serve as camera gears, steel parts for handguns and rifles, power tool clutch elements . . . and components in chain saws, electric razors, clocks and watches, two-way radios, riding mowers and snow blowers. The cold-drawing process reduces expensive machining and produces close-tolerance parts very economically.



Cold-drawn profile shapes like these can be sliced into individual gears, cams and ratchets.

Jewelry/Silverware

As early as 1905, we established the first centralized U.S. facilities for producing quality-controlled gold and silver alloys, and for refining precious metal scrap. Manufacturing jewelers and silversmiths were our first customers, and to this day we retain our traditional position in this market.

Our products for jewelry and silverware are overwhelmingly precious metals. We make gold and silver alloys in many gauges, finishes, colors and mill forms. Manufacturers use these alloys to fabricate all types of silverware, holloware and jewelry... bracelets, earrings, necklaces, tea services, coins, watch cases and medals...

Our precious metal refining service is especially helpful to manufacturing jewelers and silversmiths. Since their raw materials (and finished products) are largely precious metals, they generate concentrated and valuable scrap in their production operations. In our refining plants (including the most advanced electrolytic refinery in the world) we recover gold, silver and platinum metals for these manufacturers—from such unglamorous scrap as floor sweeps, dust filters, spent plating solutions, bench filings... even from wiping rags, work gloves and workmen's shoes.

"Sponge" gold, 99.5% pure—a stage in refining gold from manufacturing scrap

Consumer Durables

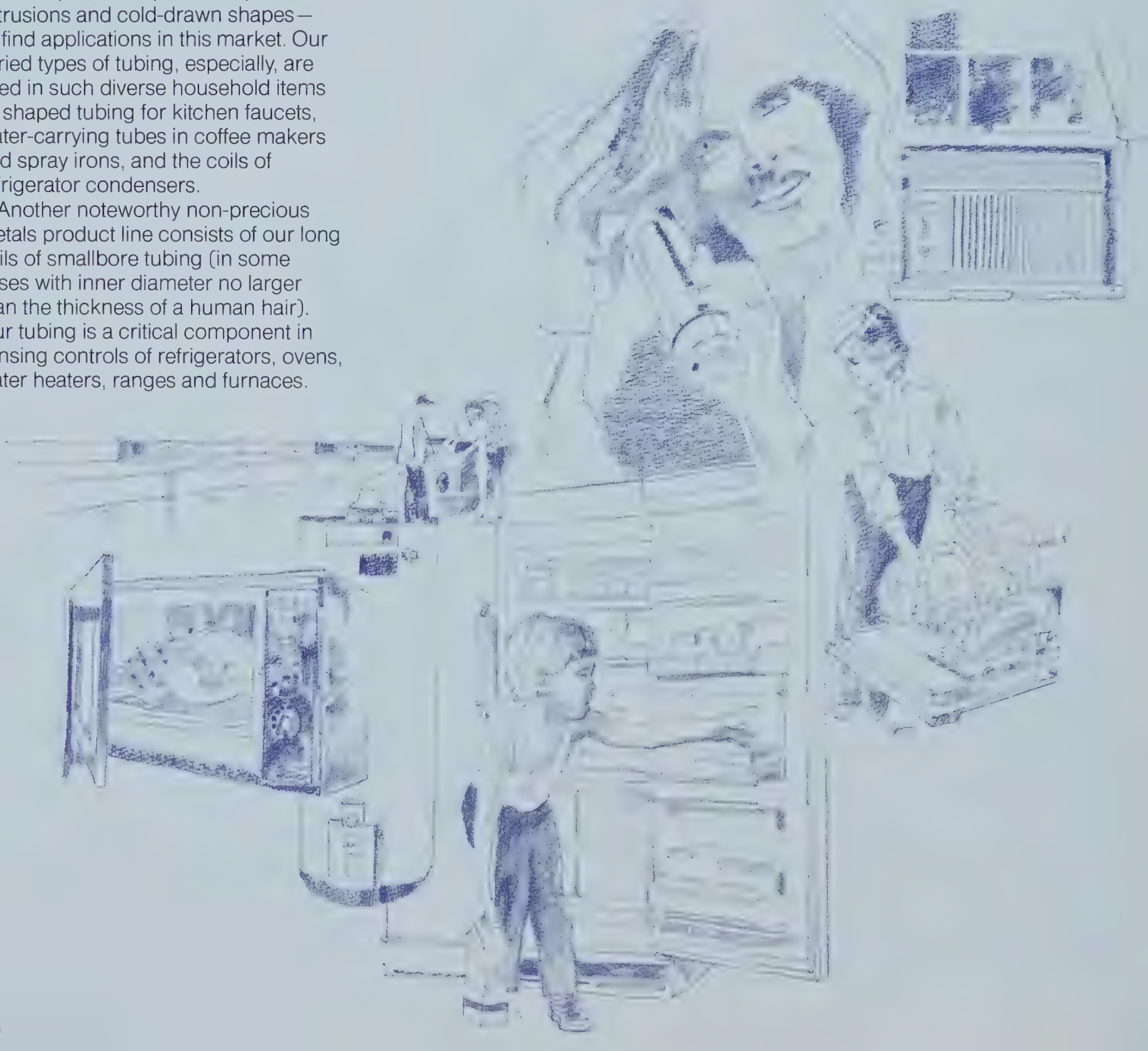
Consumer durables, which incorporate many mechanical and electrical elements, represent an excellent market for our products....

Our precious metal products used most widely in this market are our silver brazing alloys—not surprising, since brazing is the pre-eminent way of making the hundreds of tubular metal joints typically found in such durable goods as heat exchangers, air conditioners and refrigerators. (We ourselves pioneered the development of silver brazing alloys in the 1920s.) Our silver contact alloys, too, are widely used in appliance motors, switching devices, solenoids and relays.

Our non-precious metal products—for example, metal powders, plastic extrusions and cold-drawn shapes—all find applications in this market. Our varied types of tubing, especially, are used in such diverse household items as shaped tubing for kitchen faucets, water-carrying tubes in coffee makers and spray irons, and the coils of refrigerator condensers.

Another noteworthy non-precious metals product line consists of our long coils of smallbore tubing (in some cases with inner diameter no larger than the thickness of a human hair). Our tubing is a critical component in sensing controls of refrigerators, ovens, water heaters, ranges and furnaces.

Small-diameter tubing, round and in special shapes, used in many durable goods applications

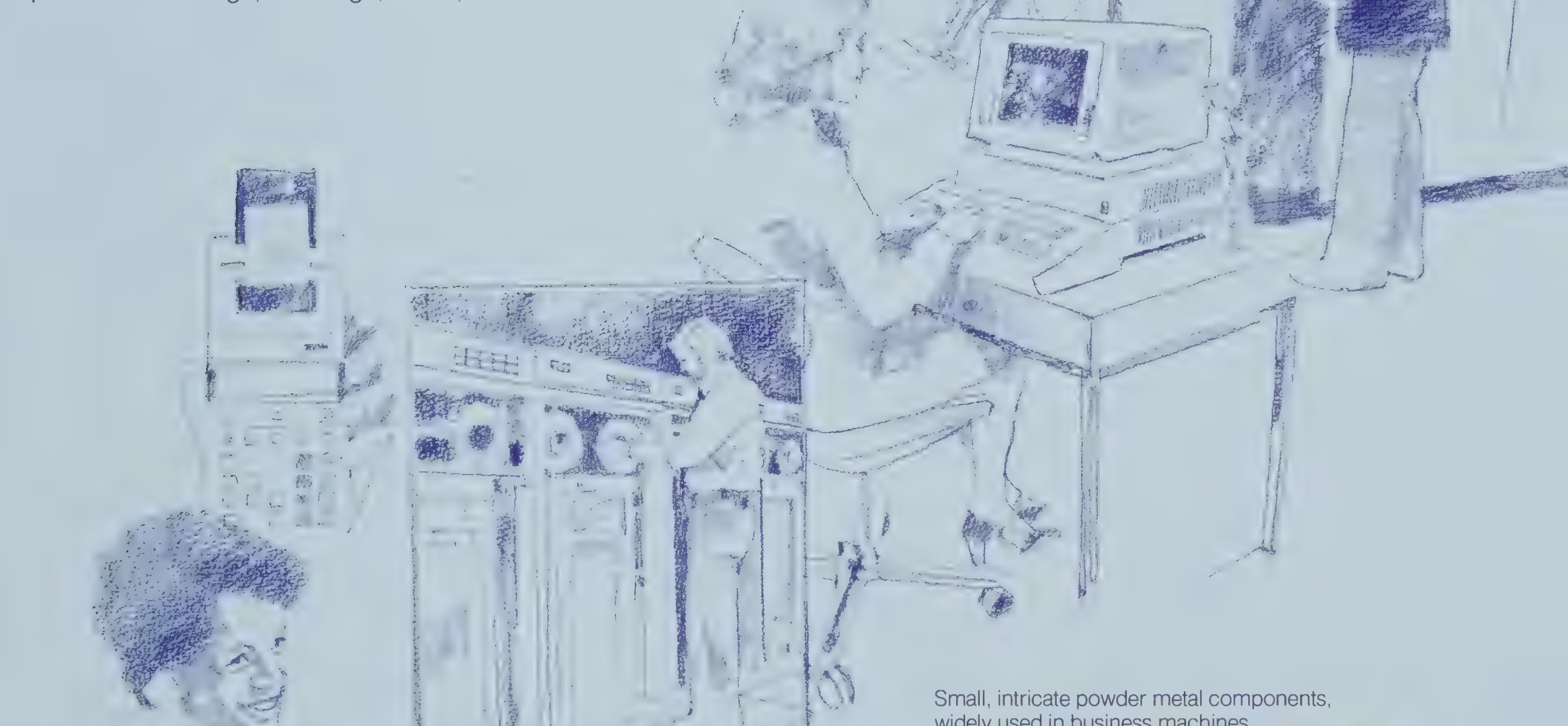


Office Equipment

Business offices of the 1980's are emerging as electronically-equipped information processing centers, with new opportunities for us in a market we already serve in many ways....

Our precious metal products for office equipment are primarily our gold and silver contact alloys, clad metals and stampings—used in the electrical circuits of such office machines as word processors, printers and online terminals. As new generations of machines are developed, our refining service plays an important role in recovering precious metals "hidden" in obsolete computers—such as pc boards, diodes, pins and connectors.

Among our non-precious metal product lines, our powder metal components—bearings, bushings, cams, shafts and hinges—have an especially wide range of uses in all types of office machines, from typewriters to computers. These parts, made from a variety of metal powders by sintering (compacting and heating) are characterized by closely-held dimensions and precisely-controlled microstructures. We also combine these parts into complex assemblies...for example, the optics drive assembly for an office photocopy machine may contain pulleys, clamp, split collar, chain sprocket, spur gear and wrapped spring clutch—all high-strength powder metal components.



Small, intricate powder metal components, widely used in business machines.

Diversity of markets—key to business stability...

We've briefly described, in the preceding pages, some of the markets we serve. We could have added many more—instrumentation...the food, textiles, rubber and plastics processing industries ...communications...chemicals... medical and dental...agriculture ...ordnance...optics...

The fact is—so diversified are our product lines and services that a full list of our markets would encompass most of the nation's economy.

We're gratified by this state of affairs. We believe that the multiplicity of our markets is a key factor in our financial strength, business stability and growth potential. And we note that the steady and rapid increase in our earnings during the past several decades coincides (and not accidentally) with the diversification of our Company's operations during that period—both through internal development and through the acquisition program we have systematically pursued.

We believe that diversity in products and markets has proved of outstanding value to us. And we think it makes sense for us to continue on this good road in the years and decades ahead.

Financial Review

The Company's Business

The operations of Handy & Harman and its subsidiaries are divided into two industry segments: manufacturing of precious metals products and refining services; and manufacturing of non-precious metals products. The table below presents information about these two segments, prepared in accordance with Statement of Financial Accounting Standards No. 14. Additional segment information for the years 1980, 1979 and 1978 is found in Note 6 of the Notes to Consolidated Financial Statements on Page 24.

The precious metals segment is engaged in the manufacture of a variety of products, generally in mill form, containing silver, gold and other precious metals in combination (alloys) with non-precious metals, and the sale of such products to industrial users in a wide range of industries, including silverware and jewelry, electrical and electronic, automotive and appliance. The Company also provides metal refining services for the recovery of precious and non-precious metals from industrial scrap.

Consistent with the Company's policy of maintaining constant inventory levels under the last-in, first-out (LIFO) method of accounting, precious metals are purchased at the same prices and quantities as shipments to customers. To the extent that additional inventory is required to support operations, precious metals are purchased and immediately sold for future delivery, eliminating the economic risk of price fluctuations. Such purchases and sales are not included in either sales or cost of sales.

A high percentage of the selling price for precious metals products is the cost of the precious metals contained. Therefore, both sales and cost of sales are influenced by fluctuation in the prices of precious metals. Service revenues, which represent charges to customers for processing refining lots, do not include the value of precious metals. In addition, certain customers choose to purchase their own precious metals and furnish bullion to Handy & Harman for fabrication. When the metals are returned to the customer in fabricated form, the customer pays only a fabrication charge, and the precious metal value of this consignment business is not included in sales or cost of sales.

In the non-precious metals segment, a number of subsidiaries manufacture a variety of specialty metal products, using copper, steel, nickel, plastics and other raw materials. These products are sold, generally in a finished product state, to substantially the same industries as are the products of the precious metals segment.

The following table details by reportable segment Sales and Service Revenues, as well as profit contribution, before general corporate and interest expenses.

(Thousands of Dollars)	**1980**	1979	1978
Sales and Service Revenues:			
Precious Metals	**$576,544**	$443,570	$331,638
Non-Precious Metals	**184,413**	187,354	136,317
	760,957	630,924	467,955
Profit contribution before unallocated expenses:			
Precious Metals	**61,237**	32,566*	22,200
Non-Precious Metals	**12,353**	17,537	13,796
	73,590	50,103	35,996
General corporate expenses	**(860)**	(843)	(820)
Interest expense	**(17,820)**	(26,754)	(9,063)
Income before income taxes	**$ 54,910**	$ 22,506*	$ 26,113

*Included in the profit contributions, as shown above, are profits before taxes of $10,157,000 in 1979 attributable to reductions in inventory of precious metals valued under the LIFO method. Exclusion of such LIFO profits from the precious metals segment would significantly alter the comparison of the two segments.

The following table segregates assets identifiable to the two reportable segments. Corporate assets include cash and investments.

	Assets		
(Thousands of Dollars)	**1980**	1979	1978
Precious Metals	**$286,401**	$485,134	$137,416
Non-Precious Metals	**117,406**	116,634	96,105
Corporate	**620**	1,480	8,469
	$404,427	$603,248	$241,990

The comparison of Handy & Harman's precious metals segment sales dollars from year to year is not meaningful due to two factors: (1) changing market values of the silver, gold and other precious metals which comprise a substantial portion of the sales price; and (2) the changing mix between market (i.e., sales which include precious metal cost) and consignment sales. The table below, therefore, shows all classes of similar precious metals products (measured by gross weight of shipments as a percentage of total segment shipment) which contributed 10% or more to total sales and revenues during 1980, 1979 and 1978.

	Percent of Shipments		
	1980	1979	1978
Rolled Products	**38%**	47%	46%
Wire Products	**43%**	34%	36%
Powder Products	**8%**	13%	11%

Selected Financial Data

	Dollars in Thousands Except per Share Figures				
	1980	1979	1978	1977	1976
Sales and service revenues	**$760,957**	$630,924	$467,955	$381,730	$347,786
Interest expense	**17,820**	26,754	9,063	7,058	5,669
Income before income taxes	**54,910**	22,506	26,113	21,120	20,807
Net income	**27,748**	13,781*	12,921	11,148	10,551
Dividends paid	**5,280**	4,242	3,556	2,879	2,487
Per share of common stock after giving effect to 2-for-1 stock split:					
Net income	**2.04**	1.02*	.95	.82	.75
Dividends paid	**.38¾**	.31¼	.26¼	.21¼	.17½
Property, plant and equipment (net)	**81,322**	64,771	55,622	47,317	37,396
Total assets	**404,427**	603,248	241,990	187,159	173,815
Long-term liabilities	**54,763**	53,129	56,743	42,881	38,203
Average shares outstanding (nearest thousand)	**13,624**	13,574	13,544	13,546	14,152
Number of shareholders	**3,306**	2,984	2,968	2,922	2,913
Number of employees	**4,794**	4,401	4,845	4,151	3,085

*Reduction of gold and silver inventories in Canada valued under the LIFO method resulted in an increase in net income of $6,427,000, or $.47 per share, in 1979.

Stock Trading and Dividends

Handy & Harman Common Stock is traded on the New York Stock Exchange. The table at the right sets forth, for the quarterly periods indicated, the reported high and low sales prices for the Common Stock on the New York Stock Exchange and the dividends paid on the Common Stock during such periods, after adjustment for the two-for-one stock split effected as of November 14, 1980.

At February 16, 1981, there were approximately 3,095 holders of record of Common Stock of Handy & Harman. Dividend payments are subject to the restrictions described in Note 2 to the Consolidated Financial Statements.

	Common Stock Sales Prices High	Common Stock Sales Prices Low	Dividends Paid on Common Stock Per Share
1980			
January 1-March 31	$29½	$10¾	8¾¢
April 1-June 30	23½	13	8¾
July 1-September 30	33¼	21⅞	8¾
October 1-December 31	32⅛	22½	12½
1979			
January 1-March 31	$11⅞	$ 7¾	7½¢
April 1-June 30	11⅝	9⅜	7½
July 1-September 30	15⅝	10	7½
October 1-December 31	18⅞	12	8¾

Liquidity

The nature of the Company's business, which is primarily that of fabricating and refining precious metals, in many respects makes it unique insofar as liquidity is concerned. Its inventories, consisting principally of gold and silver, may be considered as an equivalent to cash. Furthermore, these precious metals inventories which are stated in the balance sheet at LIFO cost have a market value substantially in excess of such cost.

Trade accounts receivable resulting from sales of fabricated precious metals are financed primarily by short-term borrowings. Fluctuations in the market prices of gold and silver have a direct effect on the dollar volume of sales and the corresponding amount of customer receivables. At December 31, 1979, trade accounts receivable were $128,700,000 and the quoted market price of silver was $28.00 per ounce. At the close of 1980, trade receivables were $94,400,000 and silver was quoted at $15.65 per ounce. In addition, receivables resulting from sales of precious metals for future delivery are also financed by short-term borrowings. The Company adjusts the level of its short-term credit facilities from time to time in accordance with its borrowing needs and maintains bank lines of credit well in excess of anticipated requirements. At December 31, 1980, the Company had agreements with various banks providing for lines of credit aggregating $155,000,000 of which $91,000,000 were utilized by short-term borrowings. In addition, the Company had $28,500,000 of commercial paper outstanding at year-end.

As may be seen in the consolidated balance sheet, total receivables were approximately $224,400,000 less at December 31, 1980, than at the previous year end. This decrease in receivables lessened the need for short-term borrowings which were approximately $219,800,000 below the level at the previous year end. Such reduction is the principal reason for the decrease in total assets as between the 1980 and 1979 year-end.

The Company's program to expand productive capacity through acquisition of new businesses and expenditures for new property, plant and equipment has historically been financed with long-term debt and internally generated funds.

Operations

Comparison of 1980 versus 1979

Sales for the precious metals segment increased $132,974,000 (30%) resulting from higher average prices for gold and silver, partially offset by lower unit sales volume. The average price for gold was $612.51 per ounce and the average price for silver was $20.63 per ounce, representing increases of 99% and 86% respectively over the previous year.

Profit contribution (pre-tax income before deducting interest and corporate expenses) increased $28,671,000 (88%) for the segment. The higher precious metals prices caused a surge in the refining end of the precious metals business, as explained in the Letter to Shareholders. The 1979 profit contribution included a pre-tax LIFO gain of $10,157,000 resulting from the liquidation of the Canadian subsidiary's gold and silver inventory. The 1979 figures were adversely affected by a strike of almost six months duration at two principal plants in the precious metals segment.

In the non-precious metals segment, sales decreased $2,941,000 (2%) and the profit contribution decreased $5,184,000 (30%) reflecting the depressed state of the automotive business and the U.S. economy in general, partially offset by the sales and profit contribution of newly acquired subsidiaries and higher unit sales volumes in selected areas, such as in the energy and utility related businesses.

The consolidated provision for doubtful accounts increased by $1,366,000 to $2,104,000 in 1980, reflecting increased exposure due to higher precious metals prices and the general state of the economy.

Interest expense decreased $8,934,000 (33%) due to lower short-term borrowings as discussed above, offset in part by higher average interest rates.

The effective income tax rate in 1980 was 49.5% compared with 38.8% in 1979. The lower rate in 1979 was principally due to the lower effective Canadian tax rate as it relates to the difference in precious metals inventory carrying values, higher investment tax credit and the statutory rate reduction. Note 3 of the notes to Consolidated Financial Statements further analyzes the difference between the effective rate and the U.S. Federal statutory rate.

For discussion of the effects of inflation and changing prices on Net Sales and Service Revenues of the Company, see Pages 28 and 29.

Comparison of 1979 versus 1978

Precious metals segment sales increased $111,932,000 (34%) due to increased average prices for silver (105%) and gold (59%) and to the newly acquired subsidiary, American Chemical & Refining Company; reduced in part by lower unit sales volume. This increase in prices of the principal raw materials of the segment caused sales dollars to increase and cost of sales to increase by approximately the same amount.

The segment's profit contribution increased $10,366,000 (47%) over 1978. This increase was almost entirely due to the LIFO gain mentioned previously. Shipments of precious metals products were adversely affected by a strike of almost six months duration at two principal plants. This was partially offset by increased profit contribution from the refinery operations.

In the non-precious metals segment, sales increased by $51,037,000 (37%) and the profit contribution increased $3,741,000 (27%) resulting from: sales and profit contribution of newly acquired subsidiaries; inflationary price

increases, and generally higher unit sales volumes of most products, exclusive of those products supplied to the automotive industry. Interest expense increased by $17,691,000 due to higher interest rates and an increase in short-term borrowings to finance higher receivables and a build-up of inventories in order to be able to service our customers during the strike.

The effective income tax rate in 1979 was 38.8% compared with 50.5% in 1978. The lower rate in 1979 was explained above.

Comparison of 1978 versus 1977

Precious metals segment sales increased $55,956,000 (20%) due primarily to increased average prices for silver (17%) and gold (31%).

The segment's profit contribution increased $3,789,000 (21%) over 1977, resulting from a number of factors. One of the principal reasons was the increase in refining revenues. The higher market values of gold and silver acted as a stimulant to such business, since industrial scrap whose value had previously been marginal now became profitable to refine. Additionally, increases in the volume of shipments of fabricated products, as well as price increases to offset inflationary cost increases, contributed to profits.

The consolidated provision for doubtful accounts increased by $816,000 to $945,000 in 1978. Substantially all of this increase is attributable to the precious metals segment, since higher market values of gold and silver coupled with higher interest rates resulted in increased exposure-to-risk of customers' accounts.

In the non-precious metals segment, sales increased by $30,269,000 (29%) and the profit contribution increased $3,161,000 (30%) resulting from: sales of products by subsidiary companies acquired during 1978 and 1977; generally higher unit sales volumes of most products (which reduce fixed charges as a percentage of sales); and inflationary price increases. Offsetting the increase in this segment was the negative effect of a strike in 1978 at the Company's powder metals subsidiary, Greenback Industries.

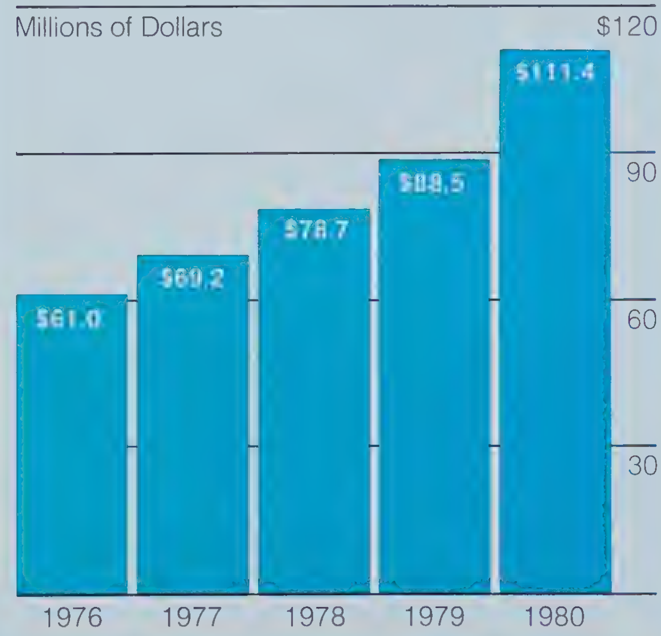
Maintenance and repairs, and taxes, other than income taxes (principally payroll taxes), increased 10% and 36% respectively, due to the addition of the non-precious metals subsidiaries and, in the case of payroll taxes, from statutory rate changes.

Interest expense increased by $2,005,000 (28%). This increase results from the higher average interest rate experienced for short-term borrowings during the year, and also from increased long-term borrowings at rates higher than the short-term borrowing rate. The latter reason reflects the Company's continuing policy of maintaining an appropriate balance between long-term and short-term obligations.

The effective income tax rate in 1978 was 50.5% as compared with 47.2% in 1977. The primary reason for the increase in 1978 was a reduced investment tax credit.

Annual Regular Dividend Rate (at year end)

Shareholders' Equity



Consolidated Statement of Income

Handy & Harman and Subsidiaries

	Year Ended December 31, 1980	1979	1978
Sales and service revenues	**$760,957,000**	$630,924,000	$467,955,000
Cost of sales and service (Note 8)	**639,481,000**	541,582,000	405,333,000
Gross profit	**121,476,000**	89,342,000	62,622,000
Selling, general, and administrative expenses*	**46,776,000**	38,886,000	27,702,000
	74,700,000	50,456,000	34,920,000
Other deductions (income):			
Interest expense (Note 2)	**17,820,000**	26, 754,000	9,063,000
Other (net) (Note 1)	**1,970,000**	1,196,000	(256,000)
	19,790,000	27,950,000	8,807,000
Income before income taxes	**54,910,000**	22,506,000	26,113,000
Provision for taxes on income (Note 3)	**27,162,000**	8,725,000	13,192,000
Net income	**$ 27,748,000**	$ 13,781,000	$ 12,921,000
Net income per share of common stock	**$2.04**	$1.02	$.95

*See Note 7 for details.

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

Consolidated Balance Sheet

Handy & Harman and Subsidiaries

Assets

	December 31, 1980	1979
Current assets:		
Cash (Note 2)	**$ 5,166,000**	$ 5,243,000
Receivables*	**205,349,000**	429,722,000
Refundable Federal income taxes (Note 3)	**—**	4,320,000
Inventories*	**102,897,000**	90,432,000
Deferred income tax benefit	**1,607,000**	1,173,000
Prepaid expenses and deposits	**2,157,000**	2,385,000
Total current assets	**317,176,000**	533,275,000
Property, plant and equipment*	**125,578,000**	103,121,000
Less accumulated depreciation and amortization	**44,256,000**	38,350,000
	81,322,000	64,771,000
Intangibles, net of amortization*	**4,708,000**	3,204,000
Deferred charges	**328,000**	365,000
Other assets	**893,000**	1,633,000
	$404,427,000	$603,248,000

Liabilities and Shareholders' Equity

	1980	1979
Current liabilities:		
Notes payable (Note 2)	**$119,500,000**	$339,302,000
Current maturities of long-term liabilities*	**5,607,000**	5,703,000
Accounts payable	**62,302,000**	89,292,000
Accrued liabilities:		
Smelters' charges and other expenses	**20,622,000**	20,189,000
United States and foreign taxes on income (Note 3)	**21,822,000**	2,069,000
Other taxes	**4,513,000**	1,758,000
Total current liabilities	**234,366,000**	458,313,000
Long-term liabilities, less current maturities*	**54,763,000**	53,129,000
Total liabilities	**289,129,000**	511,442,000
Deferred income taxes	**3,888,000**	3,277,000
Commitments (Note 4)		
Shareholders' equity:		
Common stock—par value $1; 16,000,000 shares authorized; issued: 1980—14,611,432; 1979—14,611,432 shares (Note 5)	**14,611,000**	14,611,000
Capital surplus	**7,011,000**	6,621,000
Retained earnings (Note 2)	**94,122,000**	71,796,000
	115,744,000	93,028,000
Deduct treasury stock:		
1980—964,128 shares; 1979—1,009,728 shares—at cost	**4,334,000**	4,499,000
Total shareholders' equity	**111,410,000**	88,529,000
	$404,427,000	$603,248,000

*See Note 7 for details.

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

Consolidated Statement of Shareholders' Equity

Handy & Harman and Subsidiaries

Three Years Ended December 31, 1980

	Par Value $1 Common Stock	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Cost	Total Shareholders' Equity
Balance, January 1, 1978	$ 7,286,000	$6,282,000	$60,367,000	524,264	($4,688,000)	$69,247,000
Adjustment for 2-for-1 stock split effected November 14, 1980	7,286,000		(7,286,000)	524,264		
Balance, January 1, 1978 as adjusted	14,572,000	6,282,000	53,081,000	1,048,528	(4,688,000)	69,247,000
Net income			12,921,000			12,921,000
Cash dividends on common stock—$.26¼ per share			(3,556,000)			(3,556,000)
Exercise of stock options	11,000	90,000	(84,000)	(18,000)	88,000	105,000
Balance, December 31, 1978	14,583,000	6,372,000	62,362,000	1,030,528	(4,600,000)	78,717,000
Net income			13,781,000			13,781,000
Cash dividends on common stock—$.31¼ per share			(4,242,000)			(4,242,000)
Exercise of stock options	28,000	249,000	(105,000)	(20,800)	101,000	273,000
Balance, December 31, 1979	14,611,000	6,621,000	71,796,000	1,009,728	(4,499,000)	88,529,000
Net income			27,748,000			27,748,000
Cash dividends on common stock—$.38¾ per share			(5,280,000)			(5,280,000)
Exercise of stock options		390,000	(142,000)	(45,600)	165,000	413,000
Balance, December 31, 1980	$14,611,000	$7,011,000	$94,122,000	964,128	($4,334,000)	$111,410,000

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements

Consolidated Statement of Changes in Financial Position

Handy & Harman and Subsidiaries

	Year Ended December 31,		
	1980	1979	1978
Working capital, January 1	$ 74,962,000	$ 78,437,000	$62,740,000
Sources:			
Operations:			
Net income	27,748,000	13,781,000	12,921,000
Items entering into determination of net income which did not use working capital:			
Depreciation and amortization	7,814,000	6,376,000	5,018,000
Non-current deferred income taxes	611,000	791,000	570,000
Other (Note 1)	918,000	979,000	139,000
Working capital provided from operations	37,091,000	21,927,000	18,648,000
Disposal of property, plant and equipment	660,000	155,000	108,000
Additions to long-term liabilities	8,359,000	1,818,000	17,661,000
Common stock options exercised	413,000	273,000	105,000
Other	—	—	53,000
	46,523,000	24,173,000	36,575,000
Uses:			
Reduction of long-term liabilities	5,990,000	5,546,000	3,892,000
Cash dividends paid	5,280,000	4,242,000	3,556,000
Property, plant and equipment:			
Expenditures	21,354,000	11,222,000	7,742,000
Acquired through business combinations	4,049,000	5,140,000	5,423,000
Intangibles acquired through business combinations	1,915,000	1,112,000	155,000
Additions to deferred charges	—	23,000	110,000
Other	87,000	363,000	—
	38,675,000	27,648,000	20,878,000
Increase (decrease) in working capital	7,848,000	(3,475,000)	15,697,000
Working capital, December 31	$ 82,810,000	$ 74,962,000	$78,437,000
Increase (decrease) in components of working capital:			
Cash	($ 77,000)	($ 4,011,000)	($ 6,812,000)
Receivables	(224,373,000)	337,560,000	39,713,000
Refundable Federal income taxes	(4,320,000)	4,320,000	—
Inventories	12,465,000	12,179,000	13,204,000
Deferred income tax benefit	434,000	(445,000)	540,000
Prepaid expenses and deposits	(228,000)	1,191,000	(19,000)
Increase (decrease) in current assets	(216,099,000)	350,794,000	46,626,000
Notes payable and current maturities of long-term liabilities	(219,898,000)	273,373,000	22,021,000
Accounts payable	(26,990,000)	73,015,000	6,014,000
Accrued liabilities	22,941,000	7,881,000	2,894,000
Increase (decrease) in current liabilities	(223,947,000)	354,269,000	30,929,000
Increase (decrease) in working capital	$ 7,848,000	($ 3,475,000)	$15,697,000

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements

Summary of Significant Accounting Policies

a—Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The accounts of foreign subsidiaries are translated at appropriate rates of exchange. Translation gains and losses are not material. All significant intercompany items have been eliminated.

Investments in 20%-50% owned companies are carried at equity in their net assets.

b—Stock split

All data in the financial statements have been retroactively adjusted to reflect the two-for-one stock split effected on November 14, 1980, as though it had occurred at the beginning of the periods presented.

c—Inventories

Substantially all precious metals inventories are valued at cost as computed under the last-in, first-out (LIFO) method, which is lower than market. Non-precious metals inventories are stated at the lower of cost (principally average) or market. For precious metals inventories no segregation among raw materials, work in process and finished goods, is practicable.

d—Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost. Depreciation and amortization are provided principally on the straight-line method for financial reporting purposes and on accelerated methods for tax purposes. Generally, buildings are depreciated over 50 years and machinery and equipment over 14 years.

e—Research and development

Research and development costs are charged to operations as incurred. Purchased computer systems and programming costs are generally capitalized and amortized over periods not to exceed five years.

f—Intangibles and amortization

Purchased patents are stated at cost, which is amortized over the respective remaining lives of the patents.

The excess of purchase price over net assets acquired in business combinations is being amortized on the straight-line method over periods ranging from 10 to 40 years.

g—Sales and service revenues

A high percentage of the sales price for the Company's precious metals products (see "The Company's Business," Page 14) is the value of the precious metals contained. Changes in the unit sales price of such precious metals result in corresponding changes in sales and cost of sales. Additionally, sales of precious metals for future delivery executed on the Commodity Exchange are excluded from sales and cost of sales in the accompanying income statement. The amount receivable arising from such sales for future delivery and the related margin deposits are included in receivables (see Note 7a).

Service revenues, which represent charges to customers for processing refining lots, are recognized in income when the lots are settled with the customer as to precious metal content. Additional costs and smelter charges relating to the settled lots are accrued at that time.

h—Taxes on income

The Company files a consolidated Federal income tax return with all its domestic wholly owned subsidiaries. The investment credit is recorded as a reduction of the provision for income taxes under the flow-through method.

Timing differences in reporting certain transactions for financial statement purposes (principally provision for doubtful accounts and depreciation) that are recognized in the tax returns of other periods are appropriately accounted for as deferred taxes.

The Company's policy is to reinvest undistributed earnings of foreign subsidiaries. Therefore, as permitted by Opinion Number 23 of the Accounting Principles Board, there is no recognition of domestic income tax expense on such undistributed earnings in the accompanying financial statements. Undistributed earnings of 50% or less owned companies, carried on the equity method, are presently not material.

i—Income per share

Per share amounts are based on the weighted average number of shares outstanding during the years, adjusted retroactively, when applicable, for shares issued in a pooling-of-interests transaction or a stock split. Outstanding stock options are considered common stock equivalents using the treasury stock method and are included in the calculation when their effect would be dilutive; however they had no dilutive effect in 1980, 1979 and 1978.

Notes to Consolidated Financial Statements—Three Years Ended 1980

1—Acquisitions and Dispositions

In 1980, the Company acquired by purchase Advanced Materials Systems, Inc. and Brunner Engineering & Mfg. Inc., for a combined total of approximately $11,900,000 cash. The acquisitions in the aggregate were not material in relation to the revenues and net income of the Company in 1980, 1979 and 1978.

During 1980 and 1979, the Company wrote off non-precious metal experimental and other facilities amounting to $918,000 and $971,000 and charged the disposals to "other deductions."

2—Cash, Notes Payable, Interest, and Restrictions

The Company's borrowing requirements are primarily related to the market value of precious metals and the resulting changes in receivables. The Company adjusts the level of its short-term credit facilities from time to time in accordance with its borrowing needs. At December 31, 1980, the Company had various agreements with banks whereby credit facilities of approximately $155,000,000 were available; short-term bank borrowing under these lines amounted to $91,000,000, and additionally the Company had $28,500,000 of commercial paper outstanding. The corresponding amounts for December 31, 1979, were: Credit facilities—$365,000,000; bank borrowings—$275,000,000; and commercial paper outstanding—$64,000,000.

In connection with its various credit facilities, the Company has agreed to pay commitment fees and to maintain compensating balances of approximately $11,600,000 on average. These balances are not legally restricted as to withdrawal and serve as part of the Company's normal operating cash. The average compensating balances during 1980 were approximately $4,100,000 expressed in terms of book cash balances. This amount was approximately $7,500,000 less than the amounts reflected by the banks. The difference is attributable to float and uncollected funds.

For financial reporting purposes, the income from sales of precious metals for future delivery is netted against the interest on short-term borrowing used to finance the receivables resulting from these sales. At December 31, 1980, 1979 and 1978, the average interest rate for outstanding short-term borrowing was 20.8%, 15.3% and 9.8%, respectively. During 1980, the average month-end short-term borrowing was $141,000,000, the weighted average interest rate was 17.7%, computed on the basis of the number of days the borrowings were outstanding; and the maximum month-ended short-term borrowing was $430,000,000. The corresponding amounts for the years ended December 31, 1979 and 1978 were: average month-end borrowing—$275,000,000 and $84,200,000, weighted average interest rate—12.6% and 8.7%; and maximum month-end borrowing—$353,500,000 and $109,000,000.

Under the most restrictive provisions of the Company's loan agreements, $12,594,000 of consolidated retained earnings are unrestricted at December 31, 1980, as to the declaration of cash dividends and the acquisition of capital stock of the Company. The agreements limit total liabilities and long-term liabilities to $590,037,000 and $148,884,000, respectively, and require the maintenance of minimum working capital of $50,000,000, all as determined by formula. Additionally, the agreements require the maintenance of minimum tangible net worth of $85,000,000. At December 31, 1980, the consolidated totals were: Total liabilities—$293,017,000; long-term liabilities—$54,763,000; working capital—$82,810,000, and tangible net worth—$105,655,000.

3—Taxes on Income

The components of income before income taxes consisted of the following (in thousands):

	1980	1979	1978
Domestic	$49,890	$ 9,822	$24,518
Foreign	5,020	12,684	1,595
	$54,910	$22,506	$26,113

(continued)

The provision for taxes on income was comprised of the following (in thousands):

1980	Currently Payable	Deferred	Total
State and local	$ 4,316	$ 61	$ 4,377
Foreign	2,391	(232)	2,159
Federal	20,278	348	20,626
	$26,985	$ 177	$27,162
Investment credit			$ 535

1979	Currently Payable	Deferred	Total
State and local	$ 651	$ 117	$ 768
Foreign	3,904	552	4,456
Federal	2,965	536	3,501
	$ 7,520	$ 1,205	$ 8,725
Investment credit			$ 621

1978	Currently Payable	Deferred	Total
State and local	$ 1,901	$ 96	$ 1,997
Foreign	1,041	(289)	752
Federal	9,890	553	10,443
	$12,832	$ 360	$13,192
Investment credit			$ 453

Deferred income tax expense resulted primarily from the effect of using accelerated depreciation for income tax purposes, resulting in deferred taxes in 1980, 1979 and 1978 of $783,000, $778,000 and $700,000, respectively.

A reconciliation of the U.S. Federal statutory tax rate, expressed as a percentage of income before income taxes, to the actual tax expense is as follows:

	1980	1979	1978
U.S. Federal statutory tax rate	46.0%	46.0%	48.0%
State and local income taxes, net of Federal income tax benefit	4.3	1.8	4.0
Investment tax credit	(1.0)	(2.7)	(1.8)
Net effect of foreign tax rates	(.3)	(6.1)	(.1)
Other	.5	(.2)	.4
Actual tax expense	49.5%	38.8%	50.5%

At December 31, 1979, the liability identified on the balance sheet under the caption "United States and foreign taxes on income" relates to foreign taxes on income.

4—Commitments

Commitments at December 31, 1980, for additional property, plant and equipment approximated $10,592,000.

Lease and rental commitments are not significant.

5—Stock Options

At December 31, 1980, 256,248 shares of common stock held in the treasury were reserved for issuance under the Company's 1972 Stock Option Plan. Transactions under the Plan and the 1965 Plan, which expired, are summarized below:

	Shares Available for Option	Shares Under Option: Shares	Shares Under Option: Range of Price
Balance, January 1, 1978	448,000	96,000	$3.05-$ 4.16
Options excercised	—	(30,000)	3.05- 4.16
Options expired	30,000	(30,000)	3.05
Options granted	(214,000)	214,000	7.56
Balance, December 31, 1978	264,000	250,000	4.16- 7.56
Options exercised	—	(48,800)	4.16- 7.56
Options expired	—	(8,000)	4.16
Options granted	—	—	—
Balance, December 31, 1979	264,000	193,200	7.56
Options exercised	—	(45,600)	7.56- 18.81
Options expired	19,200	(19,200)	7.56
Options granted	(70,000)	70,000	18.81
Balance, December 31, 1980	213,200	198,400	$7.56-$18.81

6—Segment Information

Information regarding the Company's two industry segments—manufacturing of precious metals products and refining services, and manufacturing of non-precious metals products—is contained on Page 14 under the heading

"The Company's Business" and is incorporated herein by reference. Additional information concerning industry segments is as follows:

	1980	1979	1978
Depreciation and amortization expense:			
Non-precious metals	$ 5,468,000	$ 4,520,000	$ 3,450,000
Precious metals	2,328,000	1,838,000	1,547,000
Corporate	18,000	18,000	21,000
	$ 7,814,000	$ 6,376,000	$ 5,018,000
Property, plant and equipment additions:			
Non-precious metals:			
Expenditures	$15,031,000	$ 7,008,000	$ 4,486,000
Acquired through business combinations	3,238,000	3,924,000	5,423,000
	18,269,000	10,932,000	9,909,000
Precious metals:			
Expenditures	6,323,000	4,214,000	3,256,000
Acquired through business combinations	811,000	1,216,000	—
	7,134,000	5,430,000	3,256,000
	$25,403,000	$16,362,000	$13,165,000

There are no significant inter-segment sales, no single customer to whom sales and revenues constituted 10% of the total consolidated sales and revenues, and operations outside of the United States and Canada are not significant.

7—Supplemental Information

	1980	1979
a—Receivables:		
Trade accounts	$ 94,421,000	$128,741,000
Allowance for doubtful	3,501,000	2,338,000
	90,920,000	126,403,000
Sales of precious metals for future delivery	75,465,000	256,900,000
Advances to suppliers and customers	38,964,000	46,419,000
	$205,349,000	$429,722,000
b—Inventories:		
Precious metals:		
Fine and fabricated metals in various stages of completion	$ 54,961,000	$ 39,098,000
Non-precious metals:		
Base metals, factory supplies, and raw materials	23,122,000	29,521,000
Work in process	10,283,000	14,797,000
Finished goods	14,531,000	7,016,000
	$102,897,000	$ 90,432,000
Precious metals stated at LIFO cost	$ 54,072,000	$ 38,775,000
LIFO inventory—excess of year-end market value over cost	$431,554,000	$646,795,000

	1980	1979
December 31 market value per ounce (Last spot market price: in 1980, December 31; in 1979, December 28)		
Silver	$ 15.650	$ 28.000
Gold	$ 586.000	$ 512.000
Market value of precious metals held for customers and returnable in commercial bar or fabricated form	$ 82,962,000	$ 91,842,000
c—Property, plant and equipment:		
Land	$ 3,680,000	$ 3,441,000
Buildings and improvements	30,270,000	27,551,000
Machinery and equipment	72,094,000	65,554,000
Furniture and fixtures	3,675,000	3,074,000
Automotive	575,000	395,000
Improvements to leased property	1,406,000	952,000
Construction in progress	13,878,000	2,154,000
	$125,578,000	$103,121,000

Depreciation and amortization charged to operations for 1980, 1979 and 1978 was $7,274,000, $6,087,000 and $4,752,000, respectively.

	1980	1979
d—Intangibles (net of amortization):		
Patents and other	$ 2,254,000	$ 1,495,000
Excess of purchase price over net assets acquired in business combinations	2,454,000	1,709,000
	$ 4,708,000	$ 3,204,000
e—Long-term liabilities:		
7⅜% note, payable in annual installments of $667,000 to 1988	$ 5,331,000	$ 5,998,000
9% note, payable in annual installments of $667,000 to 1991	7,332,000	7,999,000
9⅛% note, payable in annual installments of $667,000 to 1994	9,333,000	10,000,000
9½% note, payable in annual installments of $667,000 from 1982 to 1996	10,000,000	10,000,000
8½% note, payable in semi-annual installments of $571,000 to 1984	4,000,000	5,143,000
7½%-10½% note, payable in semi-annual installments of $1,000,000 to 1986	12,000,000	14,000,000
Industrial revenue bonds, 6⅜%-7½% due 1992	8,000,000	
Other liabilities	4,374,000	5,692,000
	60,370,000	58,832,000
Less installments due within one year	5,607,000	5,703,000
	$ 54,763,000	$ 53,129,000

Maturities of long-term debt in each of the next five years are as follows (in thousands): 1981, $5,607; 1982, $6,242; 1983, $6,236; 1984, $6,118; and 1985, $6,031.

(continued)

Notes to Consolidated Financial Statements—Three Years Ended 1980 (continued)

	1980	1979
f—Undistributed earnings of foreign subsidiaries	$ 13,236,000	$ 12,918,000

g—Provision for doubtful accounts included in selling, general and administrative expenses for 1980, 1979 and 1978 was $2,104,000, $738,000 and $945,000, respectively.

8—Cost of Sales and Services

During 1979, the gold and silver inventories of the Canadian subsidiary were liquidated, resulting in the realization of LIFO profits of approximately $10,157,000, equal to $6,427,000 ($.47 per share) after the income tax effect.

9—Retirement Plans

The Company and substantially all of its subsidiaries have non-contributory defined benefit plans covering most of their employees. The total pension costs for 1980, 1979 and 1978 were $1,655,000, $2,854,000, and $2,540,000, respectively, which includes amortization of prior service cost, generally over a period of 30 years from the inception of the respective plan and from the date of plan amendments. The Company's policy is to fund pension costs accrued.

A proportionate share of the significant actuarial gains arising from favorable investment performance experienced during the year by certain defined benefit plans of the Company reduced pension cost by approximately $1,100,000 in 1980. The balance of such actuarial gains will reduce pension costs in future years. Substantially all of the defined benefit plan information is determined at December 1 of each year. The accumulated plan benefit and plan net asset information for the Company's defined benefit plans is presented as follows:

	1980
Actuarial present value of accumulated plan benefits:	
Vested	$28,656,000
Nonvested	3,259,000
	$31,915,000
Net assets available for benefits	$48,035,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.0% for 1980.

Management's Responsibility for Financial Statements

The financial statements presented in this Annual Report were prepared by Handy & Harman's management, which is responsible for their fairness, integrity and objectivity. Such statements have been prepared using management's best judgments and thus include some amounts which are estimates and approximations. It is management's belief that the financial reports are in conformity with generally accepted accounting principles applied on a consistent basis.

The Company maintains an accounting system, including appropriate internal accounting controls, administered by a professional staff of corporate accountants. The controls are aimed at providing reasonable assurance as to the reliability of the Company's financial records and assuring the safeguarding of corporate assets. It is corporate management's opinion that the effectiveness of such a financial system depends to a great extent upon the careful selection of financial and other responsible managers. Main Hurdman & Cranstoun, independent certified public accountants, conduct quarterly reviews and an annual examination of the Company's financial statements in accordance with generally accepted auditing standards. Such standards provide for a review of internal accounting control systems and tests of transactions to the extent deemed appropriate by the auditors. Main Hurdman & Cranstoun is a member of the SEC Practice Section of the AICPA Division for CPA firms.

The Company has had an Audit Committee of the Board of Directors, consisting exclusively of outside Directors of the Company, for the past eight years. The Committee meets as required, but at least a minimum of two times a year. The Audit Committee periodically meets with the independent auditors, management and corporate staff accountants to review and evaluate their accounting, auditing and financial reporting activities and responsibilities. The independent auditors and the Corporate Controller have full and free access to the Audit Committee. The auditors meet with the Audit Committee, with and without management present, to discuss their audit plan and at a later date the results of their examinations.

Report of Independent Certified Public Accountants

Main Hurdman & Cranstoun
280 Park Avenue
New York, New York 10017

To the Directors and Shareholders of Handy & Harman:

We have examined the consolidated balance sheets of Handy & Harman and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Handy & Harman and subsidiaries at December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the three years ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman + Cranstoun

February 24, 1981

Supplementary Information

Selected Quarterly Data

Summarized financial data for interim periods of 1980 and 1979 (expressed in millions of dollars except per share data) are as follows:

	1980 Quarter Ended				1979 Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Sales	$269.3	$159.4	$160.4	$171.9	$143.7	$148.4	$165.9	$172.9
Gross profit	44.4	30.5	23.6	23.0	19.4	21.9	21.2	26.8
Net income	11.3	7.3	5.5	3.7	3.5	3.7	3.3	3.3
Net income per share of common stock	$ .83	$ .53	$ .40	$ .27	$ .26	$ .27	$ .24	$ .25

Effects of Inflation

In September of 1979, the Financial Accounting Standards Board (FASB) issued its Statement No. 33—Financial Reporting and Changing Prices—which was intended to establish standards for quantifying the effects of inflation on selected data from a Company's financial reports. Two different inflation measurements are required by Statement No. 33. The first, termed "constant dollar" reporting, provides for the adjustment of basic financial data to reflect the rise in "general inflation," using the change in the Consumer Price Index for All Urban Consumers (CPI-U). The second, called "current cost" accounting, requires that the data be adjusted for changes in prices of specific assets used by the Company.

The following tables present the data required by the FASB adjusted for the effects of general inflation, and specific prices. However, the Company feels that care should be exercised in drawing inferences from this data due to the experimental status of inflation reporting.

Schedule 1 Supplementary Financial Data Adjusted for the Effects of Changing Prices, Year Ended December 31, 1980

	Dollars in Thousands Except per Share Figures		
	As Reported in the Primary Financial Statements	Adjusted for General Inflation (Average 1980 Dollars)	Adjusted for Changes in Specific Prices
Sales and service revenues	$760,957	$760,957	$ 760,957
Cost of sales and service revenues*	632,207	638,360	637,795
Depreciation	7,274	11,134	11,822
Other operating expenses	48,746	48,746	48,746
Interest expense	17,820	17,820	17,820
Provision for income taxes**	27,162	27,162	27,162
Net income	$ 27,748	$ 17,735	$ 17,612
Net income per share	$ 2.04	$ 1.30	$ 1.29
Gain due to decline in purchasing power of net amounts owed		$ 9,370	$ 9,370
Increase (decrease) in specific prices of inventories and property, plant and equipment held during the year			($ 190,268)
Effect of increase in general price level			95,669
Excess of increase (decrease) in specific prices over (under) increase in the general price level			($ 285,937)
Inventories	$102,897	$160,030	$ 536,481
Property, plant and equipment net of accumulated depreciation	$ 81,322	$112,509	$ 123,800

*Not including depreciation.
**In accordance with Statement No. 33, no adjustment is made to reflect any effect of inflation on income taxes.

Schedule 2 Five Year Comparison of Selected Supplemental Financial Data Adjusted for the Effects of Changing Prices
(In thousands of average 1980 dollars except per share figures)

	1980	1979	1978	1977	1976
Net sales and other operating revenues:					
As reported	**$760,957**	$630,924	$467,955	$381,730	$347,786
Adjusted for general inflation	**760,957**	716,099	591,027	519,153	503,594
Historical cost information adjusted for general inflation:					
Income (loss) from continuing operations	**17,735**	5,152			
Income (loss) from continuing operations per common share *	**1.30**	.38			
Net assets at year-end	**199,730**	172,859			
Current cost information:					
Income (loss) from continuing operations	**17,612**	(1,974)			
Income (loss) from continuing operations per common share *	**1.29**	(.15)			
Excess of increase (decrease) in specific prices over (under) increase in the general price level	**(285,937)**	515,127			
Net assets at year-end	**586,574**	871,209			
Gain on net amounts owed	**9,370**	9,456			
Cash dividends declared per common share:*					
As reported	**.388**	.313	.263	.213	.175
Adjusted for general inflation	**.388**	.355	.332	.289	.253
Market price per common share at year-end:*					
As reported	**29.00**	19.13	7.94	11.69	10.13
Adjusted for general inflation	**29.00**	21.71	10.03	15.90	14.66
Average consumer price index	**246.8**	217.4	195.4	181.5	170.5

*Restated to reflect 2-for-1 stock split effected November 14, 1980

Directors and Officers

Listed below are the members of the Board of Directors of the Company and its executive officers, together with their principal occupations or employment and the principal business of the organizations by which they are employed. In the case of each of the executive officers, his principal occupation is his employment with the Company.

Board of Directors

N. GEORGE BELURY†
Chairman of Atwood Oceanics, Inc. (offshore contract drilling operations)

PHILIP L. CARRET*
Chairman of the Pioneer Fund, Inc. (a mutual fund); President of Carret and Company, Inc. (investment counselors and broker/dealers)

RICHARD N. DANIEL
President of the Company

WILLIAM L. GREY*°
Partner of the law firm of Pennie & Edmonds

JOHN G. HALL†
Consultant to Freeport Minerals Company and Director of certain of its subsidiaries (mining and processing of forms of sulfur, copper and nickel)

WILLIAM H. NEWMAN*°
Bronfman Management Scholar, Graduate School of Business, Columbia University

GOUVERNEUR M. NICHOLS†
Business Consultant

M. WILBUR TOWNSEND*°
Chairman of the Board of the Company

EZRA K. ZILKHA*
President, Zilkha & Sons, Inc. (investments)

Officers

M. W. TOWNSEND
Chairman of the Board

RICHARD N. DANIEL
President

JAMES W. BLAIR, JR.
Group Vice President

ROBERT E. BURKE
Vice President—Marketing

DAVID C. CANNON
Group Vice President

DONALD A. CORRIGAN
Vice President—Research

PHILIP G. DEUCHLER
Group Vice President

FRED J. LAMBERT
Vice President—Employee Relations

WILLIAM H: MARTINSON
Controller

RAYMOND L. McGEE
Vice President—Precious Metals Manufacturing

STEPHEN B. MUDD
Treasurer

BRUCE R. TUTTLE, JR.
Secretary and Counsel

BARRY WAYNE
Vice President—Refining Operations

*Member of Executive Committee
†Member of Audit Committee
°Member of Management Incentive Committee

Corporate Organization

Handy & Harman Executive Offices

850 Third Ave., New York, N.Y. 10022
Telephone: (212) 752-3400

Plants

Fairfield, Conn.
Attleboro, Mass.
El Monte (Los Angeles), Calif.
Northvale, N.J.

Service Branches and Sales Offices

Attleboro, Mass.
Cleveland, Ohio
Dallas, Texas
Elk Grove Village (Chicago), Ill.
El Monte (Los Angeles), Calif.
Northvale, N.J.
Southfield (Detroit), Mich.

Principal Subsidiaries and Divisions

Advanced Materials Systems, Inc.
North Attleboro, Mass.
Richard E. Cota, President

American Chemical & Refining Co.
Waterbury, Conn.
George Dietz, Jr., President

American Clad Metals Division
Pawtucket, R.I.
Richard H. Almquist, President

Bigelow Components Corporation
Springfield, N.J.
Richard A. Fowler, President

Brunner Engineering & Mfg., Inc.
Bedford, Ind.
Ronald Orman, President

Conn-Form Corporation
Waterbury, Conn.
Craig S. Martenson, President

Continental Industries, Inc.
Tulsa, Okla.
J. C. Cole, President

Customet, Inc.
Westwood, N.J.
David J. Harman, President

Daniel Radiator Corporation
Houston, Texas
L. J. Biediger, President

Form Tool & Mfg. Co.
Archbold, Ohio, and
its affiliate, Midway
Tool and Manufacturing
Company, Gladwin, Mich.
Donus E. Welke, President

Greenback Industries, Inc.
Greenback, Tenn.

Handy & Harman
Metalsmiths Systems Division
Totowa, N.J.
Edward P. Scott, President

Handy & Harman Tube Co., Inc.
and its Micro-Tube Fabricators Division
Norristown, Pa.
Robert M. Thompson, President

Indiana Tube Corp.
Evansville, Ind.
J. A. Lamb, President

Jackson Industries, Inc.
Chicago, Ill.
L. J. Biediger, President

Jet Tool Co., Inc.
Pompano Beach, Fla.
Louis J. Christie, President

Lucas-Milhaupt, Inc.
Cudahy, Wisc.
Harold R. Sine, President

Maryland Specialty Wire, Inc.
Cockeysville, Md.
Richard Nash, Jr., President

Merit Plastics, Inc.
East Canton, Ohio
Lee R. Westfall, Executive Vice President

New Industrial Techniques, Inc.
Coral Springs, Fla.
Eugene R. Andreotti, President

Pennsylvania Wire Rope Corporation
Martinsburg, W. Va.
James R. Kraus, President

Rathbone Corporation
Palmer, Mass.
Clifton A. Shute, President

U.S. Auto Radiator Manufacturing Corp.
Highland Park, Mich.
L. J. Biediger, President

In Canada

Handy & Harman of Canada, Ltd.
Toronto, Ont.
William K. Honan, President

In England

Rigby-Maryland (Stainless) Ltd
Liversedge, Yorkshire
Peter J. Rigby, Managing Director

In Japan

Japan Handy Harman, Ltd.
Koshigaya (Tokyo)
(Owned jointly with Mizuno Precious Metals, Ltd., and C. Itoh & Co., Ltd.)
Hiroshi Mizuno, President

Corporate Information

Annual Meeting

The Annual Meeting of the Shareholders of Handy & Harman will be held on May 12, 1981, at the Morgan Guaranty Trust Company of New York, 522 Fifth Avenue (44th Street), New York City at 11 a.m.

Corporate Services

GENERAL COUNSEL
Breed, Abbott & Morgan

AUDITORS
Main Hurdman & Cranstoun

TRANSFER AGENT & REGISTRAR
Morgan Guaranty Trust Company of N.Y.

STOCK LISTING
New York Stock Exchange
Ticker Symbol: HNH

Employment Policy

It is the policy of Handy & Harman and its subsidiaries and divisions to comply with all applicable Federal, State and local laws and regulations with respect to employment practices and procedures, and to insure equal employment opportunity and non-discriminatory treatment in matters of race, sex, religion, color, national origin, age or condition of handicap.

Handy & Harman

850 Third Avenue, New York, NY 10022

Printed in U.S

AR39

Handy & Harman

850 Third Avenue, New York, NY 10022 • Telephone: (212) 752-3400

M. W. Townsend
Chairman

Dear Share Owner:

This year the Annual Meeting of Shareholders will be held on Tuesday, May 12th, at the offices of Morgan Guaranty Trust Company of New York, 522 Fifth Avenue (2nd floor), in New York City, beginning at 11:00 A.M. We sincerely hope that you will be able to attend and participate in the business of the meeting. My associates, members of the Board and other executives of the Company, will be on hand to welcome you and to talk individually with you before or after the meeting.

Whether or not you plan to attend the meeting, you can be sure your shares are voted in accordance with your wishes by promptly dating, signing and returning your Proxy Card in the enclosed envelope.

Cordially,

M. W. Townsend

M. W. Townsend

March 31, 1981

HANDY & HARMAN

Notice of Annual Meeting of Shareholders

May 12, 1981

NOTICE IS HEREBY GIVEN that the 1981 Annual Meeting of Shareholders of HANDY & HARMAN (the "Company") will be held at the offices of Morgan Guaranty Trust Company of New York, 522 Fifth Avenue (2nd floor), in New York, New York, on Tuesday, May 12, 1981, at 11:00 A.M., for the purpose of (1) electing nine directors to serve for the ensuing year and until their successors have been duly elected and qualified, (2) ratifying the appointment of Main Hurdman & Cranstoun as independent auditors of the Company for 1981, and (3) transacting such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 24, 1981 as the record date for the determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting, or any adjournment or adjournments thereof, and only shareholders of record as of such time are entitled to vote at the meeting.

You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting, please date, sign and return your proxy in the enclosed self-addressed stamped envelope.

By order of the Board of Directors,

BRUCE R. TUTTLE, JR.
Secretary

Dated: March 31, 1981

HANDY & HARMAN

850 Third Avenue, New York, N. Y. 10022

Telephone (212) 752-3400

PROXY STATEMENT

This statement is furnished in connection with the solicitation by and on behalf of the Board of Directors of Handy & Harman (the "Company") of proxies for use at the 1981 Annual Meeting of Shareholders (referred to, for convenience, as the "Meeting") of the Company, to be held at the offices of Morgan Guaranty Trust Company of New York, 522 Fifth Avenue (2nd floor), in New York, N. Y. on Tuesday, May 12, 1981. The date of mailing of this Proxy Statement and the accompanying Proxy card is on or about March 31, 1981.

At the Meeting, all shares represented by a properly executed and not revoked Proxy in the accompanying form will be voted, and, where instructions are specified, will be voted in accordance with that specification. Where instructions are not specified, the shares represented by such Proxy will be voted (a) **FOR** the election of all of the nine nominees for director named in this Proxy Statement, and (b) **FOR** ratification of the appointment of independent auditors. In addition, the Proxy will be voted in the discretion of the proxyholders with respect to such other business as may come properly before the Meeting.

Any Proxy may be revoked by a shareholder, by a written communication to the Secretary of the Company prior to or at the Meeting, to the extent the Proxy has not been voted. Sending in a signed Proxy will not affect a shareholder's right to attend the Meeting and vote in person.

VOTING RIGHTS AND PRINCIPAL HOLDERS THEREOF

In all matters each shareholder will be entitled to one vote for each share of Common Stock held of record on the Record Date, the close of business on March 24, 1981. At the Record Date there were 13,711,704 shares of Common Stock outstanding. Common Stock is the only class of stock of the Company outstanding and the only security of the Company entitled to vote at the Meeting.

As of the Record Date no person was known by the Company's Board of Directors to be the beneficial owner of more than 5% of the Company's outstanding Common Stock, except that, based on information filed with the Securities and Exchange Commission:

(1) as of December 31, 1980 Swiss Reinsurance Company (of P.O. Box 172, Zurich, Switzerland) and certain trusts established by Swiss Reinsurance Company and its wholly-owned subsidiary, SwissRe Holding Limited, and certain companies wholly-owned by said trusts may be deemed to be a group beneficially owning an aggregate of 830,600 shares, or approximately 6.1% of the Company's outstanding Common Stock;

(2) as of December 31, 1980 Warren E. Buffett (of 1440 Kiewit Plaza, Omaha, Nebraska 68131) and Berkshire Hathaway, Inc. (of 97 Cove Street, New Bedford, Mass.), a corporation controlled by him and by members of his family or certain trusts of which he is a trustee (but in which he has disclaimed any economic interest), and certain subsidiaries of Berkshire Hathaway, Inc. may be deemed to be a group beneficially owning 2,015,000 shares, or approximately 14.8% of the Company's outstanding Common Stock, and

(3) as of December 31, 1980 The Dreyfus Leverage Fund, Inc. (of 767 Fifth Avenue, New York, N.Y. 10022), an investment company registered under Section 8 of the Investment Company Act of 1940, beneficially owned 728,800 shares, or 5.3% of the Company's outstanding Common Stock.

Each of the foregoing "groups" may be considered to have sole voting and investment power with respect to the shares beneficially owned by the group, except insofar as the voting and investment power may be

shared within the group. In addition, based on information filed with the Securities and Exchange Commission on behalf of Ezra K. Zilkha (of 30 Rockefeller Plaza, New York, N. Y.) as of December 31, 1980, Mr. Zilkha and certain affiliated organizations beneficially owned 595,800 shares, or approximately 4.3% of the Company's outstanding Common Stock, and certain of his relatives beneficially owned 229,200 shares or approximately 1.7% of the Company's outstanding Common Stock (or an aggregate of 825,000 shares or approximately 6.0% of the Company's outstanding Common Stock), but such persons disclaim that they are acting as a group.

As of February 16, 1981 the officers and directors of the Company owned beneficially an aggregate of 957,175 shares or approximately 7.0% of the Company's Common Stock, not including 589,168 shares, or approximately 4.3% of the Company's Common Stock, which they may also be deemed under the rules of the Securities and Exchange Commission to "beneficially own", but as to which they have disclaimed beneficial ownership.

As used in this Proxy Statement, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (*i.e.*, the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this Proxy Statement, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date. Accordingly, the shares used in computing the percentages of Common Stock as a class include both the shares actually outstanding on the Record Date plus 24,200 additional shares which may be acquired by officers of the Company within 60 days, upon the exercise of employee stock options.

ELECTION OF DIRECTORS

At the Meeting, nine directors (constituting the entire Board) are to be elected to hold office for the ensuing year and until their respective successors have been duly elected and qualified. Directors are elected by a plurality of the votes cast at the Meeting. All of the nominees listed below were elected or re-elected directors at the last Annual Meeting of Shareholders. The following table includes information concerning the nominees which has been furnished by the nominees:

Name of Director	Age	Principal Occupation and Other Directorships	Director Since	Beneficial Stock Ownership(5)
N. George Belury(2)	65	Chairman of the Board and Chief Executive Officer of Atwood Oceanics, Inc. (an offshore contract oil driller); Director of Bucyrus-Erie Co., Inc. and Atwood Oceanics, Inc.	1978	1,200
Philip L. Carret(1)(4)	84	Chairman of Board of Pioneer Fund, Inc. (a mutual fund) and President of Carret and Company, Inc. (investment counselors and broker/dealers); Director of Arden Group, Inc., International Investors, Inc., Pioneer Fund, Inc., Pioneer II, Inc., Pioneer Bond Fund, Inc. and Pioneer Group, Inc.(6)	1966	23,100(7)
Richard N. Daniel(10)	45	President and Chief Operating Officer of the Company	1974	90,000
William L. Grey(1)(3)	65	Partner in the law firm of Pennie & Edmonds(8)	1971	4,000

Name of Director	Age	Principal Occupation and Other Directorships	Director Since	Beneficial Stock Ownership(5)
John G. Hall(2)	64	Consultant to Freeport Minerals Company and Director of certain of its subsidiaries (mining and processing of forms of sulfur, copper and nickel); Director of Envirotech Corporation	1978	400
William H. Newman(1)(3) ..	71	Bronfman Management Scholar, Graduate School of Business, Columbia University	1967	9,000
Gouverneur M. Nichols(2)(4)	62	Business Consultant	1973	14,764
M. Wilbur Townsend(1)(3) ..	69	Chairman of the Board and Chief Executive Officer of the Company; Director of Lazare Kaplan International, Inc.	1955	124,320
Ezra K. Zilkha(1)(4)	55	President, Zilkha & Sons, Inc. (investments); Director of INA Corporation, The Newhall Land & Farming Company and Revlon, Inc.	1969	482,200(9)

(1) Member of the Executive Committee.

(2) Member of the Audit Committee.

(3) Member of the Management Incentive Committee.

(4) Member of the Stock Option Plan Committee.

(5) The information set forth concerning beneficial ownership is as of February 16, 1981. At that date, each nominee individually had beneficial ownership of less than 1% of the total number of outstanding shares of Common Stock, except that Mr. Zilkha's 482,200 shares shown as beneficially owned constituted 3.5% of the outstanding Common Stock. The shares set forth in the table do not include 113,968 shares owned by the wives of certain nominees, as to which the respective nominees have disclaimed beneficial ownership.

(6) Carret and Company, Inc. has acted for many years as an investment manager for four of the Company's pension plans and one profit sharing plan. During 1980, the Company and two subsidiaries paid Carret and Company, Inc. an aggregate of $111,000 for such investment management services.

(7) Includes 8,000 shares owned by a trust of which Mr. Carret is a trustee and in which he has a 36% beneficial interest and his wife has a 64% beneficial interest, but does not include 346,600 shares as to which Mr. Carret shares voting and investment power with Pioneer Fund, Inc., of which he is an officer and director, and with various trusts of which he is a trustee. Mr. Carret has disclaimed beneficial ownership as to all of said 346,600 shares.

(8) Pennie & Edmonds has served as the Company's patent and trademark counsel for many years. During 1980 the Company paid Pennie & Edmonds an aggregate of $3,700 for such legal services.

(9) Includes 62,400 shares owned by Zilkha & Sons, Inc., in which Mr. Zilkha has a 50% interest, but does not include 113,600 shares owned by The Zilkha Foundation, Inc., a charitable foundation of which Mr. Zilkha is a director. Mr. Zilkha shares voting and dispositive power with respect to these shares with these entities but he has disclaimed beneficial ownership as to all of the shares owned by The Zilkha Foundation, Inc.

(10) Includes 30,000 shares which Mr. Daniel has the right to acquire upon the exercise of stock options granted under the Company's 1972 Stock Option Plan. For a discussion of such options, see "Remuneration of Officers and Directors—Information Concerning Stock Options".

If any nominee should become unavailable for any reason, the proxies will be voted for the election of an alternative nominee designated by the Board of Directors. The management of the Company has no reason to believe that any nominee will become unavailable.

Certain Additional Information Concerning Nominees

Each nominee has been engaged in his current principal occupation for at least the last five years, except as indicated below.

N. George Belury—Chairman and Chief Executive Officer of Atwood Oceanics, Inc. since November 1980 and prior thereto Group Vice President (Commercial Products) of I. C. Industries, Inc. and President and Chief Executive Officer of Abex Corp. to June 1980 and since prior to January 1976.

Richard N. Daniel—President and Chief Operating Officer of the Company since May, 1979 and prior thereto Group Vice President (Precious Metals) of the Company since May, 1978, and prior thereto Vice President—Finance of the Company since January, 1977, and prior thereto Vice President and Controller of the Company since prior to January, 1976.

John G. Hall—Consultant to Freeport Minerals Company and Director of certain of its subsidiary companies since February 1, 1980, and prior thereto Director and Executive Vice President of Freeport Minerals Company since prior to January, 1976.

William H. Newman—Bronfman Management Scholar since July, 1978, and prior thereto Samuel Bronfman Professor since prior to January, 1976, at Columbia University Graduate School of Business.

Gouverneur M. Nichols—Business Consultant since November, 1979, and prior thereto Director of Company Services at Time, Inc. (publishers) since prior to January, 1976.

M. Wilbur Townsend—Chairman of the Board and Chief Executive Officer of the Company since May, 1979, and prior thereto Chairman of the Board, President and Chief Executive Officer of the Company since prior to January, 1976.

REMUNERATION OF OFFICERS AND DIRECTORS

The following table sets forth information, based upon the reporting requirements of the Securities and Exchange Commission, with respect to (a) all cash and cash-equivalent remuneration paid or accrued on account of the year 1980 by the Company and its subsidiaries to (i) each of the five highest paid executive officers or directors of the Company whose aggregate cash and cash-equivalent remuneration exceeded $50,000, and (ii) all officers and directors of the Company as a group.

		Cash and Cash-Equivalent Forms of Remuneration		
Name of Individual or Number of Persons in Group	Capacities in which served	Salaries, Fees, Directors' Fees, Commissions and Bonuses(1)	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits(2)	Aggregate of Contingent Forms of Remuneration(3)
M. W. Townsend	Chairman of the Board	$228,333		$50,000
R. N. Daniel	President and Director	170,667		
P. G. Deuchler	Group Vice President	106,667		
D. C. Cannon	Group Vice President	89,000		
J. W. Blair, Jr.	Group Vice President	85,333	$70,500	
All Officers and Directors as a Group (21 persons)		$1,345,916		

(1) The remuneration includes non-deferred payments of incentive awards for 1980 under the Company's Management Incentive Plan. The Management Incentive Plan provides for the payment of annual incentive awards to officers and other management employees of the Company and each of its subsidiaries, allocated according to the respective profit-centers in which the individuals function to

contribute to the profits of the Company. All of the above-named officers, as well as certain other officers and management employees participate on the basis of the Company's consolidated results of operations, as defined. The amount to be awarded in each year is allocated by the Management Incentive Committee of the Board of Directors from a determination of the percentage (but not more than 5%) of the applicable unconsolidated or consolidated net operating earnings before taxes in excess of 5% of the capital employed in the business of that profit-center of the Company from which the earnings were derived in each instance, but may not exceed 75% of the highest rate of salary paid to the employee in the year for which the award was earned. The capital employed consists in each instance of the respective consolidated or unconsolidated, as appropriate, (i) long term debt, (ii) outstanding capital stock account, (iii) capital surplus and (iv) retained earnings. Approximately 143 employees, including those individuals listed in the table above, are eligible to participate in the Management Incentive Plan in the fiscal year ending December 31, 1981. During 1980, each of the directors of the Company was compensated quarterly for all services as a director, at the rate of $10,000 per annum. No extra amount is payable for committee participation or special assignments, and officers of the Company who serve as directors receive no compensation for their services as directors in addition to their salaries paid for their services as officers of the Company.

(2) Consists of the spread between the exercise price and the market value, based on the closing market price on the New York Stock Exchange on the date of exercise, of shares of Common Stock acquired upon exercise during 1980 by officers of the Company of qualified stock options granted under the Company's employee stock option plan. In addition, during 1980, in order to facilitate job performance and minimize work-related expenses incurred by its officers, the Company provided leased automobiles and paid club dues for certain of its officers. To the extent any charges or expenses of a non-business nature were incurred in the use of such automobiles or at such clubs, they were paid personally by the officer involved and were not reimbursed by the Company. The specific values of any other incidental personal benefits which may have resulted from such automobiles and club dues cannot be determined with precision without unreasonable effort and expense, and therefore have not been included in the table above. The Company is satisfied, however, that the value of such incidental personal benefits did not involve an incremental expenditure by the Company of more than $2,500 for any officer during 1980 and the total for all officers and directors as a group is not a material amount.

(3) Consists of the awards for 1980 under the Management Incentive Plan which have been deferred, but does not include any pension amounts accrued. Under the Management Incentive Plan, part or all of an incentive award to a participant, who has entered into a deferred compensation agreement with the Company, may, at the option of the Management Incentive Committee, be deferred for payment following the participant's retirement or earlier termination of employment. The deferred payments may be forfeited under certain circumstances. The total amount of compensation deferred as to all officers of the Company, at December 31, 1980, not including amounts deferred for 1980, was $262,150 including deferrals of $170,400 for M. W. Townsend and $20,000 for R. N. Daniel. In addition, in December 1980, a new deferred compensation plan for directors' fees was adopted, effective January 1, 1981. No amounts paid or credited in 1980 for directors' fees were deferred, and at the Record Date, only Messrs. Grey and Hall had elected to participate in the Plan for 1981. Accruals for pension benefits payable under the Handy & Harman Pension Plan, a defined benefit pension plan, which provides for benefits to be available on the same basis generally to all salaried employees, are not included in the remuneration table above. The calculation of benefits for each such person is based upon average earnings, which includes only salary, but not bonus or other incentive compensation, during the highest five years of earnings during the ten years preceding retirement; therefore, depending on the amount of and the rate of deferral of any Management Incentive Plan bonuses awarded in any year, the earnings upon which the pension calculations are made may be less than or equal to, but will not exceed, the respective amounts set forth in the salary column for the officers listed in the table above. The calculation of benefits for each such person also is based upon and allows for a Social Security benefit to be paid contemporaneously with the pension benefits. The following table shows the approximate initial annual benefit payable

under the Handy & Harman Pension Plan to persons retiring at age 65 with credited years of service and final average remuneration in the ranges indicated, assuming that the individual receives a straight life benefit, with no reduction to allow for payments, in accordance with the provisions of the Pension Plan, to an employee's spouse or beneficiary who survives the employee:

	YEARS OF SERVICE			
REMUNERATION	10	15	20	25 or more
$ 50,000	$ 9,424	$14,136	$18,848	$23,560
75,000	14,424	21,636	28,848	36,060
100,000	19,424	29,136	38,848	48,560
125,000	24,424	36,636	48,848	61,060
150,000	29,424	44,136	58,848	73,560

Messrs. Townsend, Daniel, Deuchler, Cannon and Blair have respectively 35, 10, 32, 9 and 8 years of credited service under the Handy & Harman Pension Plan, and approximately $111,600, $100,000, $63,000, $67,000 and $57,000 respectively of their cash remuneration is reflected in accruals under the Plan. The Plan also provides that a participant's benefits shall be increased by ¾ of 1% for each month of service beyond normal retirement date at age 65 and, as to participants retiring on or after December 1, 1976, for periodic increases in pension amounts, up to 4% per year, if the cost of living increases after retirement.

Information Concerning Stock Options

The Company's employee stock option plan was approved at the 1972 Annual Meeting of Shareholders. In the period from January 1, 1980 to December 31, 1980 options granted under the 1972 Stock Option Plan to purchase an aggregate of 24,200 shares of Common Stock were exercised at an aggregate purchase price of $183,013 and with an aggregate market value of $615,950 at the closing market prices on the New York Stock Exchange on the respective dates of purchase. Such exercises included 4,800 shares purchased in a single transaction by J. W. Blair, Jr. at an aggregate purchase price of $36,300 and having an aggregate market value of $106,800 at the date of purchase.

Because of certain provisions in the Federal tax laws, on January 24, 1980, the Board of Directors approved an amendment of the terms of options to purchase 128,400 shares of Common Stock granted under the 1972 Stock Option Plan and then held by 17 officers and key employees of the Company, including an option to purchase 14,400 shares held by J. W. Blair, Jr., to provide for exercisability as to all of such shares after two years following the date of grant. No change was made in the 1972 Stock Option Plan or any other term of such options, all of which had been granted in December 1978 at an option price per share of $7.5625, the market value thereof on the date of grant.

Options under the 1972 Stock Option Plan to purchase an aggregate of 70,000 shares of Common Stock at $18.81 per share, the fair market value of the stock on the date of grant, were granted May 13, 1980 to six key employees of the Company, including R. N. Daniel, who received an option to purchase 30,000 shares. No other option was granted to any officer of the Company during 1980. At December 31, 1980, options to purchase an aggregate of 198,400 shares of the Company's Common Stock were outstanding under the Plan, including options held by eight officers of the Company to purchase an aggregate of 94,000 shares. The options held by officers had an aggregate potential (unrealized) value of $1,677,625 at the closing market price on the New York Stock Exchange that day, and included

the above described option to purchase 30,000 shares of Common Stock at $18.81 held by Mr. Daniel and an option held by Mr. Blair to purchase an aggregate of 14,400 shares of Common Stock at $7.56 per share. The remaining options held by officers were exercisable at $7.56 per share.

COMMITTEES OF THE BOARD

The Company's Board has a standing Executive Committee and a standing Audit Committee. The Company's Board does not have a Nominating Committee or a Compensation Committee. The Board also has a Management Incentive Committee and a Stock Option Plan Committee.

Under the Company's By-laws and under the New York Business Corporation Law, no committee shall have authority as to (1) the submission to shareholders of any action that needs shareholders' authorization under law, (2) the filling of vacancies in the Board or in any committee, (3) the fixing of compensation of the directors for serving on the Board or on any committee, (4) the amendment or repeal of the By-laws, or the adoption of new By-laws, or (5) the amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable.

The Executive Committee is empowered by the By-laws to act, during the intervals between meetings of the Board, and to exercise all powers of the Board in the management and direction of the business of the Company except such powers as, by law, by the Company's Certificate of Incorporation or by the Company's By-laws, may not be delegated to the Committee. The Executive Committee met once during 1980.

The Audit Committee is empowered by the Board, under the Company's By-laws, to review the scope and procedures to be followed in the conduct of the audit by the Company's independent auditors, and also to review the findings and recommendations by the auditors resulting from the audit. The Committee also meets with the auditors to review the adequacy of the Company's internal controls and any significant changes in the accounting practices or audit reporting requirements followed. The Committee also functions to approve the professional services by the independent auditors, review the independence of the auditors and consider the amount and relationship of the non-audit fees to the audit fees of the auditors. The Audit Committee met three times during 1980.

The Management Incentive Committee is empowered by the Board, under the Company's By-laws, to review the nature and the scope of the services rendered during each fiscal year by the participants in the Management Incentive Plans of the Company and its subsidiaries, and the benefit derived by the Company from such services, and then, based on that review, to fix the bonus compensation of the plan participants in accordance with the formula provided under each Management Incentive Plan. The Committee also determines the portion, if any, of each such award which is to be deferred and paid as deferred compensation upon the retirement of the participant. The Management Incentive Committee met twice during 1980.

The Stock Option Plan Committee is the committee appointed by the Board to review, report and recommend action by the Board in the granting of qualified stock options under the Company's 1972 Employee Stock Option Plan which was approved by the shareholders in 1972. The Committee met once during 1980.

Board Participation

The Board met eleven times during 1980; one meeting was held in each month except during August. During 1980, all of the nine nominees for re-election as directors attended at least 90% of the meetings of the Board and of the Committees on which they serve.

RATIFICATION OF APPOINTMENT OF AUDITORS

The firm of Main Hurdman & Cranstoun has been appointed by the Board of Directors as the independent auditors of the Company for 1981. Hurdman and Cranstoun, one of the predecessors from which Main Hurdman & Cranstoun was created by merger during 1979, had been the Company's auditors for a number of years. Main Hurdman & Cranstoun has advised the Company that no member of Hurdman and Cranstoun has had during the past three years, and no member of Main Hurdman & Cranstoun has had since the merger on September 1, 1979, any direct or material indirect financial interest in, or any connection with, other than as independent auditors, the Company or its subsidiaries. A representative of Main Hurdman & Cranstoun is expected to be present at the Meeting with an opportunity to make a statement if he desires to do so, and to be available to respond to appropriate questions.

During the year ended December 31, 1980 the firm of Main Hurdman & Cranstoun provided auditing services to the Company, including an examination of the consolidated financial statements presented in both the Annual Report to Shareholders and the Annual Report on Form 10-K to the Securities and Exchange Commission, limited reviews of the unaudited quarterly reports on Form 10-Q, audits of certain employee benefit plans and consultation with respect to various accounting and auditing matters. In addition, said auditors were requested from time to time to provide certain non-audit services, primarily involving acquisition reviews and audits, and review and consultation work with respect to income tax returns and tax planning. The fees for the acquisition review and audit work amounted to approximately 9% of the fees for audit services, and the fees for all such non-audit services were approximately 10% of the fees for the audit services rendered. The rendering of such non-audit services was considered and approved by the Audit Committee of the Board of Directors at its meeting held on February 28, 1980; at the same time the Committee approved the rendering of audit services by said firm with respect to the year ended December 31, 1980. The nature and extent of the non-audit services was considered and approved by the Audit Committee again at its meeting on December 15, 1980. At each such meeting the Audit Committee concluded that the rendering of such non-audit services has not affected the independence of said accounting firm in the performance of its audit services.

A majority of the votes cast at the Meeting is required for approval of the selection of auditors. If the shareholders do not ratify the appointment of Main Hurdman & Cranstoun as independent auditors, the Board of Directors will consider the selection of another accounting firm.

OTHER BUSINESS

Management knows of no other matters to be brought before the Meeting. However, if any other matters are properly brought before the Meeting, the persons appointed as Proxy Agents in the accompanying Proxy will vote thereon in accordance with their best judgment.

Shareholder Proposals

Shareholder proposals for presentation at the Company's 1982 Annual Meeting must be received by the Secretary of the Company in writing not later than December 31, 1981 in order to be considered for the Company's Proxy Statement and form of Proxy.

The Company will bear the cost of soliciting Proxies for the Meeting. In addition to solicitation by mail, the proxies may be solicited by officers and regular employees of the Company personally or by telephone or telegraph. The Company will request banks, brokers, and other nominees, custodians and

fiduciaries to forward proxy material to beneficial owners and to seek authorization for the execution of proxies, and the Company will reimburse them for their expense in this connection.

PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY

By order of the Board of Directors,

BRUCE R. TUTTLE, JR.
Secretary

Dated: March 31, 1981

10-K REPORT

Upon written request, the Company will provide, without charge, a copy of its Annual Report on Form 10-K, including the financial statements and the financial statement schedules thereto, but without Exhibits, as filed with the Securities and Exchange Commission, for the fiscal year ended December 31, 1980. Copies of the Exhibits will be furnished at the Company's cost for the reproduction, postage and handling thereof. Letters requesting the 10-K report should be addressed to the Corporate Secretary, Handy & Harman, 850 Third Avenue, New York, N. Y. 10022.